

RICHMOND

LOCAL MUNICIPALITY



2012/2013

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2013

RICHMOND LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

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GENERAL INFORMATION

MAYOR

Cllr. A. Ragavaloo

DEPUTY MAYOR

Cllr. P.C. Ngcobo

SPEAKER

Cllr. S.T. Shabalala

MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor

Deputy Mayor

Councillor: T.D. Kunene

GRADING OF THE LOCAL AUTHORITY

Grade 4

AUDITORS

External: Auditor General

Internal: Umnotho Business Consultants

PRIMARY BANKER

First National Bank

REGISTERED OFFICE

Memorial Hall
57 Shepstone Street
RICHMOND
3780

Private Bag 1028
RICHMOND
3780

Telephone: (033) 212-2155

Facsimile: (033) 212-4183

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MUNICIPAL MANAGER

E.S. Sithole

(033) 212-2155

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CHIEF FINANCIAL OFFICER

M. Hloba

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GENERAL INFORMATION (continued)

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 7 to 140, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during September 2013.

E.S. SITHOLE
MUNICIPAL MANAGER
30 August 2013

M. HLOBA
CHIEF FINANCIAL OFFICER
30 August 2013

RICHMOND LOCAL MUNICIPALITY
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MEMBERS OF THE COUNCIL

WARD	COUNCILLORS	PROPORTIONAL COUNCILLORS
1	Ragavaloo A	ANC
2	Shabalala ST	ANC
3	Magubane KE	IND
4	Shange RB	ANC
5	Ngcongo B	ANC
6	Jili J	ANC
7	Kunene TD	ANC
		Moonsamay P
		ANC
		Ngcobo PC
		ANC
		Maphumulo M
		ANC
		Ngubo MDB
		ANC
		Mdlalose SA
		ANC
		Madonda TC
		DA
		Mngadi BM
		UDM

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

E.S. SITHOLE
MUNICIPAL MANAGER
 30 August 2013

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FOREWORD

During the 2012/13 financial year the municipality had to ensure that issues of compliance with various changes in legislation are addressed in order to meet the challenges set by a changing legislative environment.

The municipality, as part of improving service delivery to the community, implemented proper communication channels through the ward committee systems. Community Development Workers ensured that our people receive treatment that is in compliance with the Batho Pele principles. Service delivery and the payment for services still remain a serious concern to all in local government. All role-players must ensure that they work together to overcome the legacy of the past and ensure that we uplift the living conditions of those that were previously forgotten. Further to ensure that compliance with Batho Pele principles is adhered to at all times, we call upon our Councillors, Community Development Workers and Ward Committees to discharge their responsibilities in the spirit of co-operative governance.

Although capital infrastructure projects were limited to those financed from external grant funding, the municipality has successfully finalised some of the projects identified in the Integrated Development Plan. There has been significant under spending in this regard and the municipality has already submitted a request for roll-over of budget to both CoGTA and National Treasury.

The municipality will in the 2013/14 financial year again embark upon projects identified in the Integrated Development Plan and speed up completion of 2012/13 projects.

I hereby wish to thank the members of the Executive Committee and executive staff for their commitment during the 2012/13 year and hope that the 2013/14 targets set in the Integrated Development Plan will be met.

I thank you.

CLR A. RAGAVALOO
MAYOR
30 August 2013

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AUDIT REPORT

The 2012/13 Audit Report was not available when the Annual Financial Statements were approved and will be attached hereto as Annexure "A" when received after the completion of the statutory audit.

RICHMOND LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Richmond Local Municipality at 30 June 2013.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2012/13 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2013 indicates an increase in Net Assets, and an increase in both Non-current Liabilities and Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Retirement Benefit Liabilities and Long-service Benefits. The increase in Current Liabilities is primarily as a result of the increase in Payables exceeding the decrease in Unspent Conditional Grants.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

2.1 Financial Statement Ratios:

INDICATOR	2013	2012
Surplus / (Deficit) before Appropriations	14 255 706	9 851 316
Surplus / (Deficit) at the end of the Year	117 154 663	102 898 956
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	41.82%	42.32%
Remuneration of Councillors	6.11%	7.49%
Collection Costs	0.05%	0.04%
Depreciation and Amortisation	8.07%	8.88%
Impairment Losses	6.88%	0.95%
Repairs and Maintenance	3.11%	5.28%
Interest Paid	0.03%	0.06%
Contracted Services	5.16%	7.78%
Grants and Subsidies Paid	9.12%	4.61%
General Expenses	19.39%	22.56%
Current Ratio:		
Trade Creditors Days	45	22
Debtors from Exchange Transactions Days	51	57

2.2 Performance Indicators:

INDICATOR	2013	2012
Borrowing Management:		
Capital Charges to Operating Expenditure	0.28%	0.32%
Capital Charges to Own Revenue	1.13%	1.07%
Borrowed Funding to Own Capital Expenditure	0.00%	6.81%
Borrowing to Total Capital Assets	0.02%	0.17%
Safety of Capital:		
Gearing	0.02%	0.15%
Liquidity:		
Current Ratio	1.74	1.67
Liquidity Ratio	1.54	1.35
Capital Expenditure Management:		
Capital Expenditure on Infrastructure to Total Capital Expenditure	73.77%	42.42%
Capital Funding from Borrowings to Capital Grants, Subsidies & Donations	0.00%	0.00%
Revenue Management:		
Current Debtors Collection Rate	89.22%	57.34%
Outstanding Debtors to Revenue	7.66%	21.20%
Creditors Management:		
Creditors to Cash and Investments	13.12%	10.92%
Financial Viability:		
Debt Coverage	7.63	7.75
Outstanding Service Debtors to Revenue	31.09%	64.96%
Cost Coverage	0.84	0.92

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

The services offered by Richmond Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2013 are as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	102 660 305	92 819 217	10.60	-	100.00
Operating income for the year	71 151 172	55 094 507	29.14	82 882 516	(14.15)
Appropriations for the year	(9 513)	(10 228)	(6.99)	-	100.00
	173 801 964	147 903 496	17.51	82 882 516	109.70
Expenditure:					
Operating expenditure for the year	56 895 466	45 243 192	25.75	57 006 580	(0.19)
Closing surplus / (deficit)	116 906 499	102 660 305	13.88	25 875 936	351.80
	173 801 964	147 903 496	17.51	82 882 516	109.70

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	65 759 373	53 300 968	23.37	77 555 764	(15.21)
Expenditure	49 544 010	41 777 570	18.59	49 686 798	(0.29)
Surplus / (Deficit)	16 215 363	11 523 398	40.72	27 868 967	(41.82)
Surplus / (Deficit) as % of total income	24.66%	21.62%		35.93%	

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community. The income source is the Human Settlement Grant.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	5 019 212	1 223 383	310.27	4 953 212	1.33
Expenditure	5 019 212	1 223 383	310.27	4 953 212	1.33
Surplus / (Deficit)	-	-	-	-	-
Surplus / (Deficit) as % of total income	100.00%	100.00%		100.00%	

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection and disposal of waste (refuse). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	372 587	570 157	(34.65)	373 540	(0.26)
Expenditure	2 332 244	2 242 239	4.01	2 366 571	(1.45)
Surplus / (Deficit)	(1 959 657)	(1 672 082)	17.20	(1 993 031)	(1.67)
Surplus / (Deficit) as % of total income	(525.96)%	(293.27)%		(533.55)%	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R21 207 384 (2011/12: R15 464 417). Full details of Assets are disclosed in Notes 9, 10, 11, 12 and Appendices "B, C and E (4)" to the Annual Financial Statements.

The capital expenditure of R21 207 384 was financed as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Grants and Subsidies	10 279 972	12 317 980	(16.54)	20 016 000	(48.64)
Own Funds (Accumulated Surplus)	10 927 412	3 146 437	247.29	11 215 182	(2.57)
	21 207 384	15 464 417	37.14	31 231 182	(32.10)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2013	2012
Grants and Subsidies	48.47%	79.65%
Own Funds (Accumulated Surplus)	51.53%	20.35%
	100.00%	100.00%

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2013	2012
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	25 875 936	17 509 447
Revenue variances	(11 731 344)	(11 854 363)
Expenditure variances:		
Employee Related Costs	(1 024 925)	831 336
Remuneration of Councillors	168 036	(83 328)
Collection Costs	22 204	133 061
Depreciation and Amortisation	259 812	678 249
Impairment Losses	(3 916 976)	(431 420)
Repairs and Maintenance	781 761	466 974
Interest Paid	952	(26 696)
Contracted Services	(575 398)	(1 324 194)
Grants and Subsidies Paid	294 572	(1 099 918)
General Expenses	4 252 672	5 061 368
Loss on disposal of Property, Plant and Equipment	(151 596)	(9 200)
Actual surplus before appropriations	14 255 706	9 851 316

DETAILS	2013	2012
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	25 875 936	15 265 765
Executive and Council	475 420	56 981
Finance and Administration	(829 787)	1 324 127
Planning and Development	(10 020 149)	(8 272 157)
Community and Social Services	(1 530 065)	323 565
Public Safety	229 796	(82 968)
Sport and Recreation	(1 145 498)	378 465
Waste Management	33 374	(191 364)
Roads and Transport	1 166 678	1 048 903
Actual surplus before appropriations	14 255 706	9 851 316

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

5.2 Capital Budget:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Variance actual 2012/13 / 2011/12 R	Budgeted 2012/13 R	Variance actual/ budgeted R
Executive and Council	49 459	388 418	(338 959)	56 950	(7 491)
Finance and Administration	190 564	528 222	(337 658)	756 000	(565 436)
Planning and Development	117 680	680 236	(562 556)	558 750	(441 070)
Community and Social Services	265 096	774 098	(509 002)	339 500	(74 404)
Public Safety	858 375	226 724	631 650	1 221 000	(362 625)
Sport and Recreation	2 113 774	2 058 337	55 437	3 495 210	(1 381 436)
Roads and Transport	17 612 437	10 808 380	6 804 056	24 803 772	(7 191 336)
	21 207 384	15 464 417	5 742 967	31 231 182	(10 023 799)

Details of the results per segmental classification of capital expenditure are included in Appendix "C" and in Appendix "E (4)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2013 amounted to R117 154 663 (30 June 2012: R102 898 956) and is made up as follows:

Housing Development Fund	248 164
Accumulated Surplus	116 906 499
	<u>117 154 663</u>

Sections 15(5) and 16 of the Housing Act, (Act No 107 of 1997), which came into operation on 1 April 1998, required that the municipality maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund. The fund is cash-backed.

The municipality, in conjunction with its own capital requirements and external funds (grants) is able to finance its annual infrastructure capital programme.

Refer to Note 23 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2013 was R20 803 (30 June 2012: R152 710).

Loans to the amount of R0 (2011/12: R214 297) was taken up during the financial year to enable the municipality to finance part of its capital requirements for the year.

Refer to Note 20 and Appendix "A" for more detail.

8. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2013 was R6 812 587 (30 June 2012: R5 164 351).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 21 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R3 889 627 as at 30 June 2013 (30 June 2012: R3 569 431) and is made up as follows:

Provision for Long-term Service	1 072 196
Provision for Rehabilitation of Land-fill Sites	2 817 431
	<u>3 889 627</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 22 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R28 281 420 as at 30 June 2013 (30 June 2012: R28 018 249) and is made up as follows:

Provisions	Note 15	226 546
Payables from Exchange Transactions	Note 16	5 696 584
Payables from Non-exchange Transactions	Note 17	1 988 679
Unspent Conditional Grants and Receipts	Note 18	19 959 805
Operating Lease Liabilities	Note 19	259 475
Current Portion of Long-term Liabilities	Note 20	150 331
		<u>28 281 420</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R102 775 794 as at 30 June 2013 (30 June 2012: R86 766 839).

Refer to Note 9 and Appendices "B, C and E (4)" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R13 783 as at 30 June 2013 (30 June 2012: R23 378).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 10 and Appendix "B" for more detail.

13. INVESTMENT PROPERTY

The net value of Investment Properties were R4 114 852 as at 30 June 2013 (30 June 2012: R4 114 852).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 11 and Appendix "B" for more detail.

14. HERITAGE ASSETS

The net value of Heritage Assets were R128 080 as at 30 June 2013 (30 June 2012: R128 080).

Heritage Assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Refer to Note 12 and Appendix "B" for more detail.

15. NON-CURRENT INVESTMENTS

The municipality held Investments to the value of R266 as at 30 June 2013 (30 June 2012: R266).

Refer to Note 13 for more detail.

16. LONG-TERM RECEIVABLES

Long-term Receivables of R9 768 at 30 June 2013 (30 June 2012: R1 951 156) is made up as follows:

Housing	-
uMgungundlovu District Municipality	32 368
	<hr/>
	32 368
Less: Short-term portion included in Current Assets	22 600
	<hr/>
	9 768
	<hr/>

Refer to Note 14 for more detail.

17. CURRENT ASSETS

Current Assets amounted R49 116 555 as at 30 June 2013 (30 June 2012: R46 819 124) and is made up as follows:

Inventories	Note 2	26 299
Non-current Assets Held-for-Sale	Note 3	1 545 536
Receivables from Exchange Transactions	Note 4	1 224 213
Receivables from Non-exchange Transactions	Note 5	2 122 087
VAT Receivable	Note 6	745 287
Cash and Cash Equivalents	Note 7	43 430 532
Current Portion of Long-term Debtors	Note 8	22 600
		<u>49 116 555</u>

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

18. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 18 and 25, and Appendix "F" for more detail.

19. CORRECTION OF ERROR

Prior Year amounts have been restated due to corrections made in the current year and are disclosed in Note 40.

20. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 55.

21. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

30 August 2013

RICHMOND LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

		Actual	
	Note	2013	2012
		R	Restated R
ASSETS			
Current Assets		49 116 555	46 819 124
Inventories	2	26 299	175 162
Non-current Assets Held-for-Sale	3	1 545 536	1 113 114
Receivables from Exchange Transactions	4	1 224 213	990 639
Receivables from Non-exchange Transactions	5	2 122 087	5 661 707
VAT Receivable	6	745 287	1 136 189
Cash and Cash Equivalents	7	43 430 532	37 721 545
Current Portion of Long-term Receivables	8	22 600	20 768
Non-Current Assets		107 042 544	92 984 573
Property, Plant and Equipment	9	102 775 794	86 766 839
Intangible Assets	10	13 783	23 378
Investment Property	11	4 114 852	4 114 852
Heritage Assets	12	128 080	128 080
Non-current Investments	13	266	266
Long-term Receivables	14	9 768	1 951 156
Total Assets		156 159 100	139 803 697
LIABILITIES			
Current Liabilities		28 281 420	28 018 249
Provisions	15	226 546	153 000
Payables from Exchange Transactions	16	5 696 584	4 120 965
Payables from Non-exchange Transactions	17	1 988 679	1 598 219
Unspent Conditional Grants and Receipts	18	19 959 805	21 765 192
Operating Lease Liabilities	19	259 475	222 087
Current Portion of Long-term Liabilities	20	150 331	158 786
Non-Current Liabilities		10 723 017	8 886 491
Long-term Liabilities	20	20 803	152 710
Retirement Benefit Liabilities	21	6 812 587	5 164 351
Non-current Provisions	22	3 889 627	3 569 431
Total Liabilities		39 004 437	36 904 740
Net Assets		117 154 663	102 898 956
NET ASSETS		117 154 663	102 898 956
Accumulated Surplus / (Deficit)	23	117 154 663	102 898 956
Total Net Assets		117 154 663	102 898 956

RICHMOND LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

		Actual	
	Note	2013	2012
		R	Restated R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	24	8 548 051	6 102 267
Property Rates - Penalties imposed and collection charges		806 897	793 032
Fines		116 366	2 659
Licences and Permits		401 224	422 835
Income from Agency Services		458 106	517 926
Government Grants and Subsidies Received	25	57 152 459	41 631 680
Revenue from Exchange Transactions			
Service Charges	26	299 603	283 028
Rental of Facilities and Equipment	27	1 033 491	2 996 033
Interest Earned - External Investments	28	1 695 342	1 620 518
Interest Earned - Outstanding Debtors	28	146 399	98 028
Other Revenue	29	493 234	500 045
Other Gains on Continued Operations	38	-	126 458
Total Revenue		71 151 172	55 094 507
EXPENDITURE			
Employee Related Costs	30	23 792 479	19 148 104
Remuneration of Councillors	31	3 477 164	3 389 998
Collection Costs		27 796	16 939
Depreciation and Amortisation	32	4 590 578	4 016 421
Impairment Losses	33	3 916 976	431 420
Repairs and Maintenance		1 768 100	2 390 509
Finance Costs	34	18 425	26 696
Contracted Services	35	2 933 271	3 521 984
Grants and Subsidies Paid	36	5 186 910	2 083 698
General Expenses	37	11 032 172	10 208 222
Loss on Disposal of Property, Plant and Equipment		151 596	9 200
Total Expenditure		56 895 466	45 243 192
SURPLUS / (DEFICIT) FOR THE YEAR		14 255 706	9 851 316

RICHMOND LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

Description	Total for Accumulated Surplus/(Deficit) Account	Total
2012	R	R
Balance at 30 June 2011	93 047 641	93 047 641
Change in Accounting Policy (Note 39)	-	-
Correction of Error (Note 40)	(0)	(0)
Restated Balance	93 047 641	93 047 641
Surplus / (Deficit) for the year	9 851 316	9 851 316
Balance at 30 June 2012	102 898 956	102 898 956
2013		
Change in Accounting Policy (Note 39)	-	-
Correction of Error (Note 40)	(0)	(0)
Restated Balance	102 898 956	102 898 956
Surplus / (Deficit) for the year	14 255 706	14 255 706
Balance at 30 June 2013	117 154 663	117 154 663
	-	-

Details on the movement of the Funds and Reserves are set out in Note 23.

RICHMOND LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

		Actual	
	Note	2013	2012
		R	Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	24	8 642 423	4 466 460
Government Grant and Subsidies	25	58 957 846	35 610 002
Service Charges	26	102 273	(294 269)
Interest Received	28	1 695 342	1 620 518
Other Receipts		1 742 857	15 812 097
Payments			
Employee Related Costs	30	(21 750 501)	(18 042 974)
Remuneration of Councillors	31	(3 477 164)	(3 389 998)
Interest Paid	34	(18 425)	(26 696)
Suppliers Paid		(2 735 291)	(7 243 337)
Other Payments		(16 025 694)	(12 153 648)
NET CASH FLOWS FROM OPERATING ACTIVITIES		27 133 666	16 358 155
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	9	(21 207 384)	(15 464 417)
Proceeds on Disposal of Property, Plant and Equipment		(102 059)	325 000
Decrease / (Increase) in Long-term Receivables	14	25 125	19 763
NET CASH FLOWS FROM INVESTING ACTIVITIES		(21 284 318)	(15 119 653)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings	20	-	214 297
Repayment of Borrowings	20	(140 362)	(117 424)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(140 362)	96 873
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		5 708 987	1 335 375
Cash and Cash Equivalents at Beginning of Period	7	37 721 545	36 386 170
Cash and Cash Equivalents at End of Period	7	43 430 532	37 721 545

RICHMOND LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Inventories	-	-	-	-	-	-	26 299	-	26 299	0.00	0.00
Non-current Assets Held-for-Sale	-	-	-	-	-	-	1 545 536	-	1 545 536	0.00	0.00
Receivables from Exchange Transactions	2 915 000	(1 846 991)	1 068 009	-	(405 000)	663 009	1 224 213	-	561 204	184.65	42.00
Receivables from Non-exchange Transactions	-	-	-	-	-	-	2 122 087	-	2 122 087	0.00	0.00
VAT Receivable	-	-	-	-	-	-	745 287	-	745 287	0.00	0.00
Cash and Cash Equivalents	34 880 000	(9 880 000)	25 000 000	-	-	25 000 000	43 430 532	-	18 430 532	173.72	124.51
Current Portion of Long-term Receivables	-	-	-	-	-	-	22 600	-	22 600	0.00	0.00
Non-Current Assets											
Property, Plant and Equipment	108 755 198	-	108 755 198	-	-	108 755 198	102 775 794	-	(5 979 404)	94.50	94.50
Intangible Assets	-	-	-	-	-	-	13 783	-	13 783	0.00	0.00
Investment Property	-	-	-	-	-	-	4 114 852	-	4 114 852	0.00	0.00
Heritage Assets	-	-	-	-	-	-	128 080	-	128 080	0.00	0.00
Non-current Investments	-	-	-	-	-	-	266	-	266	0.00	0.00
Long-term Receivables	-	-	-	-	-	-	9 768	-	9 768	0.00	0.00
Total Assets	146 550 198	(11 726 991)	134 823 207	-	(405 000)	134 418 207	156 159 100	-	21 740 893	116.17	106.56
Current Liabilities											
Provisions	-	-	-	-	-	-	226 546	-	226 546	0.00	0.00
Payables from Exchange Transactions	1 236 000	-	1 236 000	-	-	1 236 000	5 696 584	-	4 460 584	460.89	460.89
Payables from Non-exchange Transactions	-	-	-	-	-	-	1 988 679	-	1 988 679	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	19 959 805	-	19 959 805	0.00	0.00
Operating Lease Liabilities	-	-	-	-	-	-	259 475	-	259 475	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	-	-	-	150 331	-	150 331	0.00	0.00
Non-Current Liabilities											
Long-term Liabilities	-	-	-	-	-	-	20 803	-	20 803	0.00	0.00
Retirement Benefit Liabilities	4 325 000	-	4 325 000	-	1 712 000	6 037 000	6 812 587	-	775 587	112.85	157.52
Non-current Provisions	3 165 000	160 000	3 325 000	-	-	3 325 000	3 889 627	-	564 627	116.98	122.89
Total Liabilities	8 726 000	160 000	8 886 000	-	1 712 000	10 598 000	39 004 437	-	28 406 437	368.04	446.99
Total Assets and Liabilities	137 824 198	(11 886 991)	125 937 207	-	(2 117 000)	123 820 207	117 154 663	-	(6 665 544)	94.62	85.00
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	137 824 198	(11 886 991)	125 937 207	-	(2 117 000)	123 820 207	117 154 663	-	(6 665 544)	94.62	85.00
Total Net Assets	137 824 198	(11 886 991)	125 937 207	-	(2 117 000)	123 820 207	117 154 663	-	(6 665 544)	94.62	85.00

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Inventories:

Inventories were not budgeted for - immaterial amount.

Non-current Assets Held-for-Sale:

Budget not aligned to GRAP - included in budget for Property, Plant & Equipment.

Receivables from Exchange Transactions:

It was under-budgeted for Receivables from Exchange Transactions.

Receivables from Non-exchange Transactions:

Budget not aligned to GRAP - included in budget for Receivables from Exchange Transactions.

VAT Receivable:

Claim for Input VAT not yet paid by SARS.

Cash and Cash Equivalents:

It was not budgeted for Unspent Grants at year-end.

Current Portion of Long-term Receivables:

It was under-budgeted for Current Portion of Long-term Receivables.

Intangible Assets:

Included in budget for Property, Plant & Equipment.

Investment Property:

Included in budget for Property, Plant & Equipment.

Heritage Assets:

Included in budget for Property, Plant & Equipment.

Non-current Investments:

It was not budgeted for Non-current Investments - immaterial amount.

Long-term Receivables:

It was not budgeted for Long-term Receivables.

Provisions:

It was not budgeted for Provisions.

Payables from Exchange Transactions:

It was under-budgeted for Payables from Exchange Transactions.

Payables from Non-exchange Transactions:

Budget not aligned to GRAP - included in budget for Payables from Exchange Transactions.

Unspent Conditional Grants and Receipts:

It was not budgeted for Unspent Grants at year-end.

Operating Lease Liabilities:

Budget not aligned to GRAP - included in budget for Payables from Exchange Transactions.

Current Portion of Long-term Liabilities:

It was not budgeted for Current Portion of Long-term Liabilities.

Long-term Liabilities:

It was not budgeted for Current Portion of Long-term Liabilities.

Retirement Benefit Liabilities:

It was under-budgeted for Retirement Benefit Liabilities.

Non-current Provisions:

It was under-budgeted for Non-current Provisions.

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	7 200 000	-	7 200 000	-	-	7 200 000	8 548 051	-	1 348 051	118.72	118.72
Property Rates - Penalties imposed and collection charges	340 000	60 000	400 000	-	-	400 000	806 897	-	406 897	201.72	237.32
Fines	202 500	(200 000)	2 500	-	-	2 500	116 366	-	113 866	4 654.66	57.46
Licences and Permits	508 985	(74 400)	434 585	-	-	434 585	401 224	-	(33 361)	92.32	78.83
Income for Agency Services	385 425	25 000	410 425	-	-	410 425	458 106	-	47 681	111.62	118.86
Government Grants and Subsidies Received	48 540 000	22 359 112	70 899 112	-	-	70 899 112	37 977 384	-	(32 921 727)	53.57	78.24
Revenue from Exchange Transactions											
Service Charges	309 390	-	309 390	-	-	309 390	299 603	-	(9 787)	96.84	96.84
Rental of Facilities and Equipment	1 115 114	45 000	1 160 114	-	-	1 160 114	1 033 491	-	(126 624)	89.09	92.68
Interest Earned - External Investments	1 500 000	-	1 500 000	-	-	1 500 000	1 695 342	-	195 342	113.02	113.02
Interest Earned - Outstanding Debtors	76 450	28 000	104 450	-	-	104 450	146 399	-	41 949	140.16	191.50
Other Income	348 940	113 000	461 940	-	-	461 940	493 234	-	31 294	106.77	141.35
Profit on Sale of Land	1 652 485	(1 652 485)	-	-	-	-	-	-	-	0.00	0.00
Total Revenue	62 179 289	20 703 227	82 882 516	-	-	82 882 516	51 976 097	-	(30 906 419)	62.71	83.59
Expenditure											
Employee Related Costs	22 209 123	558 431	22 767 554	-	-	22 767 554	23 792 479	1 024 925	1 024 925	104.50	107.13
Remuneration of Councillors	3 645 200	-	3 645 200	-	-	3 645 200	3 477 164	-	(168 036)	95.39	95.39
Collection Costs	50 000	-	50 000	-	-	50 000	27 796	-	(22 204)	55.59	55.59
Depreciation and Amortisation	4 850 390	-	4 850 390	-	-	4 850 390	4 590 578	-	(259 812)	94.64	94.64
Impairment Losses	-	-	-	-	-	-	3 916 976	3 916 976	3 916 976	0.00	0.00
Repairs and Maintenance	2 966 820	(416 959)	2 549 861	-	-	2 549 861	1 768 100	-	(781 761)	69.34	59.60
Finance Costs	-	19 376	19 376	-	-	19 376	18 425	-	(952)	95.09	0.00
Contracted Services	2 406 706	(48 833)	2 357 873	-	-	2 357 873	2 933 271	575 398	575 398	124.40	121.88
Grants and Subsidies Paid	677 470	4 804 012	5 481 482	-	-	5 481 482	5 186 910	-	(294 572)	94.63	765.63
General Expenses	8 997 577	6 287 268	15 284 845	-	-	15 284 845	11 032 172	-	(4 252 672)	72.18	122.61
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	151 596	151 596	151 596	0.00	0.00
Total Expenditure	45 803 286	11 203 295	57 006 580	-	-	57 006 580	56 895 466	5 668 895	(111 115)	99.81	124.22
Surplus/(Deficit)	16 376 004	9 499 932	25 875 936	-	-	25 875 936	(4 919 368)	(5 668 895)	(30 795 304)	0.00	0.00
Transfers Recognised - Capital	-	-	-	-	-	-	19 175 075	19 175 075	19 175 075	0.00	0.00
Surplus/(Deficit for the Year)	16 376 004	9 499 932	25 875 936	-	-	25 875 936	14 255 706	13 506 180	(11 620 229)	55.09	87.05

Financial Performance: Explanation of Variances between Approved Budget and Actual	
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:	
Property Rates:	
It was under-budgeted for Property Rates.	
Property Rates - Penalties imposed and collection charges:	
Penalties and Collection Charges imposed exceeded budgetary expectations.	
Fines:	
Fines issued and paid exceeded budgetary expectations.	
Income for Agency Services:	
Income for Agency Services exceeded budgetary expectations.	
Government Grants and Subsidies Received:	
Capital Transfers below are included in the budget for Government Grants and Subsidies Received.	
Rental of Facilities and Equipment:	
It was over-budgeted for rental received for the Plantation.	
Interest Earned - External Investments:	
It was not budgeted for Unspent Grants at year-end.	
Interest Earned - Outstanding Debtors:	
Interest raised on Arrear Debt exceeded budgetary expectations.	
Collection Costs:	
Budget not aligned to GRAP - included in budget for General Expenses.	
Impairment Losses:	
It was not budgeted for Impairment Losses.	
Repairs and Maintenance:	
Budget not aligned to GRAP - included in budget for General Expenses.	
Contracted Services:	
It was under-budgeted for expenditure incurred for the Plantation.	
General Expenses :	
Budget not aligned to GRAP - General Expenses include other streams of expenditure.	
Loss on Disposal of Property, Plant and Equipment:	
It was not budgeted for Loss on Disposal of Property, Plant and Equipment.	
Transfers Recognised - Capital:	
Capital Transfers are included in the budget for Government Grants and Subsidies Received above.	

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Executive and Council	4 000	40 000	44 000	-	12 950	56 950	49 459	-	(7 491)	86.85	1 236.47
Finance and Administration	51 000	719 000	770 000	-	(14 000)	756 000	190 564	-	(565 436)	25.21	373.66
Planning and Development	1 920 000	(1 762 000)	158 000	-	400 750	558 750	117 680	-	(441 070)	21.06	6.13
Community and Social Services	331 000	9 000	340 000	-	(500)	339 500	265 096	-	(74 404)	78.08	80.09
Public Safety	207 000	991 000	1 198 000	-	23 000	1 221 000	858 375	-	(362 625)	70.30	414.67
Sport and Recreation	61 000	1 582 000	1 643 000	-	1 852 210	3 495 210	2 113 774	-	(1 381 436)	60.48	3 465.20
Roads and Transport	17 817 000	9 261 182	27 078 182	-	(2 274 410)	24 803 772	17 612 437	-	(7 191 336)	71.01	98.85
Total Capital Expenditure	20 391 000	10 840 182	31 231 182	-	-	31 231 182	21 207 384	-	(10 023 799)	67.90	104.00
Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:											
Executive and Council: Immaterial amount.											
Finance and Administration: Land budgeted for, was not purchased.											
Planning and Development: Enhancing of Entrance Points to Richmond town budgeted for, was not undertaken.											
Community and Social Services: Repairs and Maintenance projects budgeted for under capital.											
Public Safety: Richmond Drivers' Testing Centre budgeted for, was not completed and is carried over to 2013/14.											
Sport and Recreation: MIG Projects budgeted for, were not completed and are carried over to 2013/14.											
Roads and Transport: MIG Projects budgeted for, were not completed and are carried over to 2013/14.											

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	9 276 000	-	9 276 000	-	-	9 276 000	8 642 423	-	(633 577)	93.17	93.17
Grants	48 540 000	2 005 000	50 545 000	-	-	50 545 000	58 957 846	8 412 846	8 412 846	116.64	121.46
Service Charges	-	-	-	-	-	-	102 273	102 273	102 273	0.00	0.00
Interest Received	1 350 000	-	1 350 000	-	-	1 350 000	1 695 342	345 342	345 342	125.58	125.58
Other Receipts	-	-	-	-	-	-	1 742 857	1 742 857	1 742 857	0.00	0.00
Employee Related Costs	-	-	-	-	-	-	(21 750 501)	-	(21 750 501)	0.00	0.00
Remuneration of Councillors	-	-	-	-	-	-	(3 477 164)	-	(3 477 164)	0.00	0.00
Interest Paid	(6 500)	-	(6 500)	-	-	(6 500)	(18 425)	-	(11 925)	0.00	0.00
Suppliers Paid	(37 485 000)	-	(37 485 000)	-	-	(37 485 000)	(2 735 291)	34 749 709	34 749 709	0.00	0.00
Other Payments	(59 000)	-	(59 000)	-	59 000	-	(16 025 694)	-	(16 025 694)	0.00	0.00
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(20 391 000)	(10 840 000)	(31 231 000)	-	-	(31 231 000)	(21 207 384)	10 023 616	10 023 616	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	1 652 000	(1 652 000)	-	-	-	-	(102 059)	-	(102 059)	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	25 125	25 125	25 125	0.00	0.00
Cash Flows from/(used in) Financing Activities											
New Loans raised	-	-	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	-	-	-	-	-	-	(140 362)	-	(140 362)	0.00	0.00
Cash and Cash Equivalents at End of the Year	2 876 500	(10 487 000)	(7 610 500)	-	59 000	(7 551 500)	5 708 987	55 401 768	13 260 487	0.00	198.47

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Grants

It was under-budgeted for Grants.

Service Charges

Budget not aligned to GRAP - included in budget for Property Rates.

Interest Received

It was under-budgeted for Interest Received.

Other Receipts

Budget not aligned to GRAP - included in budget for Property Rates.

Employee Related Costs

Budget not aligned to GRAP - included in budget for Suppliers Paid.

Remuneration of Councillors

Budget not aligned to GRAP - included in budget for Suppliers Paid.

Interest Paid

Immaterial amount.

Suppliers Paid

Budget not aligned to GRAP -other streams of expenditure included in budget for Suppliers Paid.

Other Payments

Budget not aligned to GRAP - included in budget for Suppliers Paid.

Purchase of Property, Plant and Equipment:

It was over-budgeted for Purchase of Property, Plant and Equipment.

Proceeds on Disposal of Property, Plant and Equipment:

It was not budgeted for Proceeds on Disposal of Property, Plant and Equipment.

Decrease / (Increase) in Long-term Receivables:

It was not budgeted for Decrease / (Increase) in Long-term Receivables.

Loans repaid:

It was not budgeted for Loans Repaid.

Cash and Cash Equivalents at End of the Year:

It was under-budgeted for Cash and Cash Equivalents.

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2012/13		2011/12
	R		R
Net surplus/(deficit) per the statement of financial performance	14 255 706		9 851 316
Revenue from Non-exchange Transactions			
Property Rates	(1 348 051)		(102 267)
Property Rates - Penalties imposed and collection charges	(406 897)		(493 032)
Fines	(113 866)		403 341
Licences and Permits	33 361		1 585 935
Revenue for Agency Services	(47 681)		(154 376)
Government Grants and Subsidies Received	13 746 653		8 390 514
Revenue from Exchange Transactions			
Service Charges	9 787		241 852
Rental of Facilities and Equipment	126 624		(2 155 933)
Interest Earned - External Investments	(195 342)		(420 518)
Interest Earned - Outstanding Debtors	(41 949)		(46 888)
Other Revenue	(31 294)		4 732 191
Other Gains on Continued Operations	-		(126 458)
Expenditure			
Employee Related Costs	1 024 925		(831 336)
Remuneration of Councillors	(168 036)		83 328
Collection Costs	(22 204)		(133 061)
Depreciation and Amortisation	(259 812)		(678 249)
Impairment Losses	3 916 976		431 420
Repairs and Maintenance	(781 761)		(466 974)
Finance Costs	(952)		26 696
Contracted Services	575 398		1 324 194
Grants and Subsidies Paid	(294 572)		1 099 918
General Expenses	(4 252 672)		(5 061 368)
Loss on Disposal of Property, Plant and Equipment	151 596		9 200
Net surplus/deficit per approved budget	25 875 936		17 509 447

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an *Accrual Basis* of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2012 and 30 June 2013 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 11.2 on *Revenue from Exchange Transactions* and Accounting Policy 11.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on *Financial Assets Classification* and Accounting Policy 8.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

1.2.3 Impairment of Financial Assets

Accounting Policy 8.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (*Financial Instruments*) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

1.2.3 Impairment of Financial Assets (continued)

- ◆ Impairment of Trade Receivables:
The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of Receivables from Exchange Transactions amounted to R35 184 and that of Receivables from Non-exchange Transactions to R1 938 406.

1.2.4 Useful lives of Property, Plant and Equipment, Investment Property and Intangible Assets

As described in Accounting Policies 3.3, 4.2 and 5.2, the municipality depreciates / amortises its Property, Plant and Equipment, Investment Property and Intangible Assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.2.5 Impairment: Write-down of Property, Plant and Equipment, and Inventories

Accounting Policy 7 on *Impairment of Assets* and Accounting Policy 9.2 on *Inventory – Subsequent Measurement* describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of PPE, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

1.2.5 Impairment: Write-down of Property, Plant and Equipment and Inventories (continued)

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (*Impairment of Cash Generating Assets*) and GRAP 26 (*Impairment of Non-cash Generating Assets*). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the NRV for Inventories involves significant judgment by management.

During the year the estimated impairments to Property, Plant and Equipment amounted to R33 427, whilst no impairments were made to Intangible Assets, Investment Property, Heritage Assets or Inventory.

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.2, *Employee Benefits – Post-employment Benefits*, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.2.7 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.2.8 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

1. BASIS OF PRESENTATION (continued)

1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- ◆ GRAP 18 Segment Reporting - issued March 2005
- ◆ GRAP 20 Related Party Disclosures (Revised)
- ◆ GRAP 25 Employee Benefits - issued December 2009
- ◆ GRAP 105 Transfers between Entities under common control - issued November 2010
- ◆ GRAP 106 Transfers between Entities not under common control - issued November 2010
- ◆ GRAP 107 Mergers - issued November 2010

1.6 Standards, Amendments to Standards and Interpretations Issued but not yet Effective (continued)

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 and GRAP 104 will be effective for period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

2. ACCUMULATED SURPLUS

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

2.1 *Housing Development Fund (HDF)*

Sections 15(5) and 16 of the Housing Act, (Act No 107 of 1997), which came into operation on 1 April 1998, required that the municipality maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act. Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing Selling Schemes, either completed or in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can only be used to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- ◆ The Fund is cash-backed, and invested in accordance with the Investment Policy of the municipality.
- ◆ The proceeds in the Fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Human Settlements.
- ◆ Any contributions to or from the Fund are shown as transfers in the Statement of Changes in Net Assets.
- ◆ Interest earned on the investments of the Fund is disclosed as interest earned in the Statement of Financial Performance.

RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as Property, Plant and Equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of Property, Plant and Equipment, they are accounted for as Property, Plant and Equipment.

RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.2 Subsequent Measurement

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class	Years
Buildings		Other	
Improvements	10 - 30	Bins and Containers	5 - 15
Infrastructure		Computer Equipment	5 - 10
Electricity	5 - 30	Emergency Equipment	5 - 10
Roads and Paving	10 - 80	Furniture and Fittings	5 - 15
Water	50	Motor Vehicles	7 - 15
Community		Office Equipment	5 - 15
Community Facilities	15 - 30	Plant and Equipment	5 - 15
Recreational Facilities	15 - 30	Specialist Vehicles	10 - 20
		Other Assets	25 - 30

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.3 Depreciation (continued)

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

3.5 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

3.6 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.7 Derecognition of Property, Plant and Equipment

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

- ◆ It is technically feasible to complete the Intangible Asset so that it will be available for use;
- ◆ Management intends to complete the Intangible Asset and use or sell it;
- ◆ There is an ability to use or sell the Intangible Asset;
- ◆ It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- ◆ Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
- ◆ The expenditure attributable to the Intangible Asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is ready for use on a *Straight-line Basis* over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible Assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

4. INTANGIBLE ASSETS (continued)

4.1 Initial Recognition (continued)

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 102, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class	Years
Computer Software	5		

Intangible Assets are annually tested for impairment, including Intangible Assets not yet available for use. Where items of Intangible Assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a Change in Accounting Estimate in the Statement of Financial Performance.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

4. INTANGIBLE ASSETS (continued)

4.3 Derecognition

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an Intangible Asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment Property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures Investment Property at cost including transaction costs once it meets the definition of Investment Property. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed Investment Property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

- ◆ Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- ◆ Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- ◆ A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- ◆ A property owned by the municipality and leased out at a below market rental; and
- ◆ Property that is being constructed or developed for future use as investment property.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

5. INVESTMENT PROPERTY (continued)

5.1 Initial Recognition (continued)

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- ◆ Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- ◆ Property being constructed or developed on behalf of third parties;
- ◆ Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- ◆ Property that is leased to another entity under a finance lease;
- ◆ Property held to provide goods and services and also generates cash inflows; and
- ◆ Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

5.2 Subsequent Measurement, Depreciation and Impairment

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 10 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5.3 Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

6. HERITAGE ASSETS

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

6.1 Initial Recognition

The cost of an item of Heritage Assets is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Heritage Assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

6.2 Subsequent Measurement and Impairment

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

6. HERITAGE ASSETS (continued)

6.3 *Derecognition*

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

6.4 *Transitional Provisions*

The municipality utilised the transitional provisions under Directive 4, which allows 3 years for the measurement of Heritage Assets.

7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

7.1 *Impairment of Cash Generating Assets*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset. Value in use is determined as the depreciated replacement cost of the asset.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

7. IMPAIRMENT OF ASSETS (continued)

7.1 *Impairment of Cash Generating Assets (continued)*

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- ◆ To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

7.2 *Impairment of Non-cash Generating Assets*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Value in use is determined as the depreciated replacement cost of the asset.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

7. IMPAIRMENT OF ASSETS (continued)

7.2 Impairment of Non-cash Generating Assets (continued)

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- ◆ To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

8. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

8. FINANCIAL INSTRUMENTS (continued)

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- ◆ The fair values of quoted investments are based on current bid prices.
- ◆ If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the *Effective Interest Rate Method* of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

8.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the *Financial Assets* of the municipality are classified as follows into the three categories allowed by this standard:

- ◆ **Financial Assets at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

8. FINANCIAL INSTRUMENTS (continued)

8.1 Financial Assets – Classification (continued)

- ◆ **Financial Assets at Fair Value** are financial assets that meet either of the following conditions:
 - (i) Derivatives;
 - (ii) Combined instruments that are designated at fair value;
 - (iii) Instruments held for trading;
 - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.

- ◆ **Financial Assets at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality may have the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Non-current Investments	Financial Assets at Amortised Cost
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Fair Value
Bank, Cash and Cash Equivalents	Financial Assets at Fair Value
Current portion of Non-current Investments	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Fair Value.

RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

8. FINANCIAL INSTRUMENTS (continued)

8.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Current portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

8.3 Initial and Subsequent Measurement

8.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

8. FINANCIAL INSTRUMENTS (continued)

8.3 Initial and Subsequent Measurement (continued)

8.3.1 Financial Assets (continued)

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of Financial Performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of Financial Performance.

8.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

8.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

8. FINANCIAL INSTRUMENTS (continued)

8.4 Impairment of Financial Assets (continued)

8.4.1 Financial Assets at Amortised Cost

Accounts Receivables encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

8.4.2 Financial Assets at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

8. FINANCIAL INSTRUMENTS (continued)

8.5 *Derecognition of Financial Assets*

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

8.6 *Derecognition of Financial Liabilities*

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

9. INVENTORIES

9.1 *Initial Recognition*

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

9. INVENTORIES (continued)

9.2 Subsequent Measurement

9.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods:

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If Inventories are to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

9.2.2 Other Inventories:

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

10. NON-CURRENT ASSETS HELD-FOR-SALE

10.1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

10. NON-CURRENT ASSETS HELD-FOR-SALE (continued)

10.2 Subsequent Measurement

Non-current Assets and Disposal Groups classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held-for-sale, or while it is part of a disposal group classified as held-for-sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held-for-sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held-for-sale is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

11. REVENUE RECOGNITION

11.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from *Exchange Transactions* refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

11. REVENUE RECOGNITION (continued)

11.1 General (continued)

Revenue from *Non-exchange Transactions* refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

11.2 Revenue from Exchange Transactions

11.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the number of refuse collections on each property during the week.

11.2.2 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a *Straight-line Basis* over the term of the lease agreement.

11.2.3 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

11.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

11.2.5 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

11. REVENUE RECOGNITION (continued)

11.2 Revenue from Exchange Transactions (continued)

11.2.6 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- ◆ The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- ◆ The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- ◆ The amount of revenue can be measured reliably;
- ◆ It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- ◆ The costs incurred or to be incurred in respect of the transaction can be measured reliably.

11.3 Revenue from Non-exchange Transactions

An inflow of resources from a *Non-exchange Transaction*, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a *Non-exchange Transaction* that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

11.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

11. REVENUE RECOGNITION (continued)

11.3 Revenue from Non-exchange Transactions (continued)

11.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with the management's best estimate of the probable inflows from spot fines and summonses that will be received based on past experience of amounts collected.

11.3.3 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

11.3.4 Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

11. REVENUE RECOGNITION (continued)

11.3 Revenue from Non-exchange Transactions (continued)

11.3.4 Government Grants and Receipts (continued)

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

11.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

12. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

12. PROVISIONS (continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

13. EMPLOYEE BENEFITS

13.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

13. EMPLOYEE BENEFITS (continued)

13.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

13.2.1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13.2.2 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds, with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

13. EMPLOYEE BENEFITS (continued)

13.2 Post-employment Benefits (continued)

13.2.2 Defined Benefit Plans (continued)

Actuarial gains or losses are accounted for using the *Corridor Method*. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a *Straight-line Basis* over the vesting period.

Long-service Allowance:

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. *The Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

Provincially-administered Defined Benefit Plans:

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the *Projected Unit Credit Method* basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities

Defined Benefit Pension Plans:

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

13. EMPLOYEE BENEFITS (continued)

13.2 Post-employment Benefits (continued)

13.2.2 Defined Benefit Plans (continued)

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the *Corridor Method*. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a *Straight-line Basis* over the vesting period.

14. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- ◆ Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- ◆ Expect to be repaid in future; or
- ◆ Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

15. LEASES

15.1 Classification

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

15.2 The Municipality as Lessee

15.2.1 Finance Leases

Where the municipality enters into a Finance Lease, Property, Plant and Equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

15.2.2 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

15. LEASES (continued)

15.3 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental revenue is recognised on a *Straight-line Basis* over the term of the relevant lease.

15.4 Determining whether an Arrangement contains a Lease

At inception of an arrangement, the municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

16. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the *Payments Basis* in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

17. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

18. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised retrospectively as an expense in the Statement of Financial Performance for the financial year ending 30 June 2013 in accordance with the requirements of GRAP 5.

To the extent that the municipality borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the municipality shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases the capitalisation of borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use have been completed.

Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the municipality shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

19. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

20. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

21. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

22. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

23. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- ◆ Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- ◆ Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- ◆ Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- ◆ Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- ◆ Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

24. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

25. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

**RICHMOND LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

27. COMPARATIVE INFORMATION

27.1 Current year comparatives:

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

27.2 Prior year comparatives:

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

27.3 Budget Information:

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2012 to 30 June 2013.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

1. GENERAL INFORMATION

Richmond Local Municipality (the municipality) is a local government institution in Richmond, Kwa-Zulu Natal Province, and is one of six local municipalities under the jurisdiction of the uMgungundlovu District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

Consumable Stores - at cost	26 299	175 162
Total Inventories	26 299	175 162

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

The cost of Inventories recognised as an expense during the period was R409 106 (2012: R417 253).

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. NON-CURRENT ASSETS HELD-FOR-SALE

Property Held-for-Sale - at cost	1 545 536	1 113 114
Net Non-current Assets Held-for-Sale	1 545 536	1 113 114

The prior year amount for *Non-current Assets Held-for-Sale* has been reclassified. Refer to Note 40.4 on "Correction of Error" for details of the reclassification.

Furthermore, the prior year amount for *Non-current Assets Held-for-Sale* has been adjusted. Refer to Note 40.6 on "Correction of Error" for details of the restatement.

3.1 Property Held-for-Sale

The municipality holds property for sale in the following categories of assets:

Land	963 384	963 384
Vehicles	582 153	149 730
Total Property Held-for-Sale	1 545 536	1 113 114

Furthermore, the municipality intends to dispose of a parcel of land it no longer utilises. A search is underway for a buyer. No impairment loss was recognised on reclassification of the property as held-for-sale nor at 30 June 2013.

The municipality intends to dispose of vehicles within the next three months. No impairment loss was recognised on reclassification of the property as held-for-sale nor at 30 June 2013.

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Service Debtors:	180 515	98 043	82 472
Refuse	180 515	98 043	82 472
Other Receivables	1 256 296	114 554	1 141 742
Total Receivables from Exchange Transactions	1 436 811	212 597	1 224 213

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Service Debtors:	117 625	62 859	54 766
Refuse	117 625	62 859	54 766
Other Receivables	1 121 855	185 982	935 873
Total Receivables from Exchange Transactions	1 239 480	248 841	990 639

The prior year amount for *Receivables from Exchange Transactions* has been reclassified. Refer to Note 40.4 on "Correction of Error" for details of the reclassification.

Other Receivables include outstanding debtors for various other services, e.g. Deposits, Interest, Rentals and Sundry Services like Dumping Fees, Impounding Fees, etc.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The municipality receives applications that it processes. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2013, the municipality is owed R973 083 (30 June 2012: R2 267 059) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

4.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2013

	Current <i>0 - 30 days</i>	Past Due			Total
		<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Refuse:					
Gross Balances	25 677	14 035	10 595	130 209	180 515
Less: Provision for Impairment	-	-	-	98 043	98 043
Net Balances	25 677	14 035	10 595	32 165	82 472
Other Receivables:					
Gross Balances	51 995	51 665	61 371	1 091 264	1 256 296
Less: Provision for Impairment	-	-	-	114 554	114 554
Net Balances	51 995	51 665	61 371	976 710	1 141 742

As at 30 June Receivables of R1 146 541 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	65 700	71 966	1 221 473	1 359 139
Less: Provision for Impairment	-	-	212 597	212 597
Net Balances	65 700	71 966	1 008 876	1 146 541

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R				2012 R
As at 30 June 2012					
	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Refuse:					
Gross Balances	17 390	13 891	11 843	74 502	117 625
Less: Provision for Impairment	-	-	-	62 859	62 859
Net Balances	17 390	13 891	11 843	11 643	54 766
Other Receivables:					
Gross Balances	47 504	78 562	52 836	942 953	1 121 855
Less: Provision for Impairment				185 982	185 982
Net Balances	47 504	78 562	52 836	756 971	935 873

As at 30 June Receivables of R925 745 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	92 453	64 679	1 017 455	1 174 586
Less: Provision for Impairment	-	-	248 841	248 841
Net Balances	92 453	64 679	768 614	925 745

4.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2013				
<u>Current:</u>				
0 - 30 days	12 468	30 199	22 703	12 302
<u>Past Due:</u>				
31 - 60 Days	20 774	28 282	14 308	2 336
61 - 90 Days	15 507	28 173	5 614	22 671
+ 90 Days	189 373	932 036	17 151	82 914
Sub-total	238 121	1 018 690	59 776	120 224
Less: Provision for Impairment	129 911	31 920	-	50 766
Total Trade Receivables by Customer Classification	108 210	986 770	59 776	69 457

As at 30 June 2012				
<u>Current:</u>				
0 - 30 days	30 748	29 024	-	5 122
<u>Past Due:</u>				
31 - 60 Days	42 052	27 507	18 710	4 184
61 - 90 Days	5 763	27 266	24 210	7 440
+ 90 Days	99 660	809 859	27 698	80 238
Sub-total	178 223	893 656	70 618	96 983
Less: Provision for Impairment	149 305	37 326	-	62 210
Total Trade Receivables by Customer Classification	28 919	856 330	70 618	34 773

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
4.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	248 841	227 947
Impairment Losses recognised	35 184	53 989
Impairment Losses reversed	(6 304)	(33 095)
Amounts written off as uncollectable	(65 124)	-
Balance at end of year	212 597	248 841

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

4.4 Ageing of impaired Receivables from Exchange Transactions

Current:

0 - 30 Days	-	-
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Past Due:

31 - 60 Days	-	-
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61 - 90 Days	-	-
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+ 90 Days	212 597	248 841
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Total	212 597	248 841
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4.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Assessment Rates Debtors	5 087 636	3 347 002	1 740 634
Payments made in Advance	2 364	-	2 364
Accruals	66 848	-	66 848
Sundry Deposits	9 300	-	9 300
Sundry Debtors	977 059	684 365	292 695
Suspense Accounts	10 247	-	10 247
Total Receivables from Non-exchange Transactions	6 153 454	4 031 367	2 122 087
As at 30 June 2012			
Assessment Rates Debtors	5 182 008	2 093 132	3 088 877
Payments made in Advance	2 147	-	2 147
Accruals	51 353	-	51 353
Sundry Deposits	9 300	-	9 300
Sundry Debtors	2 480 694	-	2 480 694
Suspense Accounts	29 335	-	29 335
Total Receivables from Non-exchange Transactions	7 754 839	2 093 132	5 661 707

The prior year amount for *Receivables from Non-exchange Transactions* has been reclassified. Refer to Note 40.4 on "Correction of Error" for details of the reclassification.

Furthermore, the prior year amount for *Receivables from Non-exchange Transactions* has been adjusted. Refer to Note 40.6 on "Correction of Error" for details of the restatement.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

Sundry Deposits are in respect of cash deposits made to Caltex for the supply of fuel and uMgungundlovu District Municipality for the supply of water.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

5.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2013

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	20 339	208 979	155 251	4 703 068	5 087 636
Less: Provision for Impairment	-	-	-	3 347 002	3 347 002
Net Balances	20 339	208 979	155 251	1 356 065	1 740 634
Payments made in Advance:					
Gross Balances	2 364	-	-	-	2 364
Less: Provision for Impairment	-	-	-	-	-
Net Balances	2 364	-	-	-	2 364
Accruals:					
Gross Balances	66 848	-	-	-	66 848
Less: Provision for Impairment	-	-	-	-	-
Net Balances	66 848	-	-	-	66 848
Sundry Deposits:					
Gross Balances	9 300	-	-	-	9 300
Less: Provision for Impairment	-	-	-	-	-
Net Balances	9 300	-	-	-	9 300
Sundry Debtors:					
Gross Balances	977 059	-	-	-	977 059
Less: Provision for Impairment	684 365	-	-	-	684 365
Net Balances	292 695	-	-	-	292 695
Suspense Accounts:					
Gross Balances	10 247	-	-	-	10 247
Less: Provision for Impairment	-	-	-	-	-
Net Balances	10 247	-	-	-	10 247

As at 30 June Receivables of R1 720 295 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	208 979	155 251	4 703 068	5 067 298
Less: Provision for Impairment	-	-	3 347 002	3 347 002
Net Balances	208 979	155 251	1 356 065	1 720 295

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

As at 30 June 2012

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Assessment Rates:					
Gross Balances	37 856	148 563	116 044	4 879 546	5 182 008
Less: Provision for Impairment	-	-	-	2 093 132	2 093 132
Net Balances	37 856	148 563	116 044	2 786 415	3 088 877

Payments made in Advance:

Gross Balances	2 147	-	-	-	2 147
Less: Provision for Impairment	-	-	-	-	-
Net Balances	2 147	-	-	-	2 147

Accruals:

Gross Balances	51 353	-	-	-	51 353
Less: Provision for Impairment	-	-	-	-	-
Net Balances	51 353	-	-	-	51 353

Sundry Deposits:

Gross Balances	9 300	-	-	-	9 300
Less: Provision for Impairment	-	-	-	-	-
Net Balances	9 300	-	-	-	9 300

Sundry Debtors:

Gross Balances	2 480 694	-	-	-	2 480 694
Less: Provision for Impairment	-	-	-	-	-
Net Balances	2 480 694	-	-	-	2 480 694

Suspense Accounts:

Gross Balances	29 335	-	-	-	29 335
Less: Provision for Impairment	-	-	-	-	-
Net Balances	29 335	-	-	-	29 335

As at 30 June Receivables of R3 051 021 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	148 563	116 044	4 879 546	5 144 153
Less: Provision for Impairment	-	-	2 093 132	2 093 132
Net Balances	148 563	116 044	2 786 415	3 051 021

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R **2012**
R

5.2 Summary of Assessment Rates Debtors by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2013				
<u>Current:</u>				
0 - 30 days	7 977	-	-	12 362
<u>Past Due:</u>				
31 - 60 Days	93 806	29 810	379	84 983
61 - 90 Days	66 128	24 939	379	63 806
+ 90 Days	1 740 098	721 030	912 549	1 329 390
Sub-total	1 908 009	775 779	913 307	1 490 541
Less: Provision for Impairment	1 576 278	296 861	-	1 473 863
Total Rates Debtors by Customer Classification	331 731	478 918	913 307	16 678
As at 30 June 2012				
<u>Current:</u>				
0 - 30 days	37 856	-	-	-
<u>Past Due:</u>				
31 - 60 Days	147 678	524	-	362
61 - 90 Days	65 193	17 175	152	33 523
+ 90 Days	1 073 470	712 816	2 196 289	896 971
Sub-total	1 324 197	730 515	2 196 441	930 855
Less: Provision for Impairment	1 088 428	167 451	-	837 253
Total Rates Debtors by Customer Classification	235 768	563 064	2 196 441	93 603

2013
R **2012**
R

5.3 Reconciliation of Provision for Impairment

Balance at beginning of year	2 093 132	1 646 091
Impairment Losses recognised	1 938 406	452 174
Impairment Losses reversed	-	-
Amounts written off as uncollectable	(171)	(5 133)
Balance at end of year	4 031 367	2 093 132

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable.

Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
6. VAT RECEIVABLE		
Vat Receivable	<u>745 287</u>	<u>1 136 189</u>

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

7. CASH AND CASH EQUIVALENTS

Current Investments	42 591 628	36 700 683
Bank Accounts	835 704	1 017 662
Cash and Cash Equivalents	3 200	3 200
Total Bank, Cash and Cash Equivalents	<u>43 430 532</u>	<u>37 721 545</u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

7.1 Current Investment Deposits

Call Deposits	42 591 628	36 700 683
Total Current Investment Deposits	<u>42 591 628</u>	<u>36 700 683</u>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 4,30 % to 5,22 % (2012: 4,40% to 5,30%) per annum.

Deposits attributable to Unspent Conditional Grants	19 959 805	21 765 192
Deposits attributable to Creditors	5 696 584	4 120 965
Deposits attributable to Current Provisions	226 546	153 000
Deposits attributable to Rehabilitation of Landfill Site	2 817 431	2 817 431
Deposits attributable to Long-service Awards	1 072 196	752 000
Deposits attributable to Retirement Benefits	6 812 587	5 164 351
Deposits attributable to Provision for Impairment	4 243 964	1 927 745
Deposits available for Operations	1 762 515	-
Total Deposits attributable to Commitments of the Municipality	<u>42 591 628</u>	<u>36 700 683</u>

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
7.2 Bank Accounts		
Cash in Bank	835 704	1 017 662
Total Bank Accounts	835 704	1 017 662

The Municipality has the following bank accounts:

Primary Bank Account

First National Bank - Richmond Branch, Richmond - Account Number 535 6532 2104:

Cash book balance at beginning of year	1 017 662	1 752 792
Cash book balance at end of year	835 704	1 017 662
Bank statement balance at beginning of year	1 017 662	1 752 792
Bank statement balance at end of year	835 704	1 017 662

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

7.3 Cash and Cash Equivalents

Cash Floats and Advances	3 200	3 200
Total Cash on hand in Cash Floats, Advances and Equivalents	3 200	3 200

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

8. CURRENT PORTION OF LONG-TERM RECEIVABLES

Housing	-	-
Umgungundlovu District Municipality	22 600	20 768
Total Current Portion of Long-term Receivables	22 600	20 768

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

9 PROPERTY, PLANT AND EQUIPMENT

30 June 2013

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community	Other	Leased Infra-structure	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2012	8 146 586	9 799 293	40 180 818	20 238 764	8 160 964	240 414	86 766 839
Cost	8 146 586	11 625 988	50 930 062	21 871 193	12 983 964	363 953	105 921 744
- Completed Assets	8 146 586	11 625 988	38 527 579	13 244 098	12 983 964	363 953	84 892 167
- Under Construction	-	-	12 402 482	8 627 095	-	-	21 029 577
Correction of error (Note 40)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	(161 224)	(720 740)	(57 055)	(118 980)	-	(1 057 999)
Accumulated Depreciation:	-	(1 665 470)	(10 028 504)	(1 575 374)	(4 704 019)	(123 539)	(18 096 906)
- Cost	-	(1 665 470)	(10 028 504)	(1 575 374)	(4 704 019)	(123 539)	(18 096 906)
- Revaluation	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	1 821 270	-	1 821 270
Borrowing Costs Capitalised	-	-	-	-	-	-	-
Capital under Construction - Additions:	-	-	15 644 904	3 741 210	-	-	19 386 114
- Cost	-	-	15 644 904	3 741 210	-	-	19 386 114
- Borrowing Costs Capitalised	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-
Depreciation:	-	(395 000)	(2 268 646)	(482 325)	(1 313 778)	(121 234)	(4 580 983)
- Based on Cost	-	(395 000)	(2 268 646)	(482 325)	(1 313 778)	(121 234)	(4 580 983)
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Disposals:	-	(132 806)	(3 888)	(14 901)	102 059	-	(49 536)
- Cost	-	(267 169)	(25 011)	(267 169)	-	-	(559 349)
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	6 234	-	102 059	-	108 293
- Accumulated Depreciation	-	134 363	14 888	252 268	-	-	401 520
- Based on Cost	-	134 363	14 888	252 268	-	-	401 520
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	(534 482)	-	(534 482)
- Cost	-	-	-	-	(887 930)	-	(887 930)
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	353 449	-	353 449
- Based on Cost	-	-	-	-	353 449	-	353 449
- Based on Revaluation	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-
Impairment Losses	-	-	(7 328)	-	(26 099)	-	(33 427)
Capital under Construction - Completed	-	-	(10 502 469)	(8 965 136)	-	-	(19 467 604)
Other Movements	-	508 553	10 958 650	7 984 402	15 999	-	19 467 604
- Cost	-	508 553	10 958 650	7 984 402	15 999	-	19 467 604
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Carrying values at 30 June 2013	8 146 586	9 780 041	54 002 040	22 502 014	8 225 934	119 180	102 775 794
Cost	8 146 586	11 867 372	67 006 137	24 364 499	13 933 303	363 953	125 681 848
- Completed Assets	8 146 586	11 867 372	49 461 219	20 961 331	13 933 303	363 953	104 733 762
- Under Construction	-	-	17 544 918	3 403 169	-	-	20 948 086
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	(161 224)	(721 834)	(57 055)	(43 020)	-	(983 133)
Accumulated Depreciation:	-	(1 926 107)	(12 282 262)	(1 805 431)	(5 664 349)	(244 773)	(21 922 921)
- Cost	-	(1 926 107)	(12 282 262)	(1 805 431)	(5 664 349)	(244 773)	(21 922 921)
- Revaluation	-	-	-	-	-	-	-

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2012

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community	Other	Leased Infra-structure	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2011	8 146 586	9 859 966	35 327 304	15 498 107	6 721 635	141 621	75 695 219
Cost	8 146 586	11 129 694	44 370 507	16 701 314	10 579 650	149 655	91 077 406
- Completed Assets	8 146 586	11 129 694	35 853 319	10 396 166	10 579 650	149 655	76 255 070
- Under Construction	-	-	8 517 188	6 305 148	-	-	14 822 336
Correction of error (Note 40)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	(1 816)	(922 135)	(26 881)	(148 815)	-	(1 099 646)
Accumulated Depreciation:	-	(1 267 912)	(8 121 068)	(1 176 326)	(3 709 200)	(8 035)	(14 282 540)
- Cost	-	(1 267 912)	(8 121 068)	(1 176 326)	(3 709 200)	(8 035)	(14 282 540)
- Revaluation	-	-	-	-	-	-	-
Acquisitions	-	207 124	36 564	-	3 024 392	214 297	3 482 378
Borrowing Costs Capitalised	-	-	-	-	-	-	-
Capital under Construction - Additions:	-	-	6 522 991	5 459 048	-	-	11 982 039
- Cost	-	-	6 522 991	5 459 048	-	-	11 982 039
- Borrowing Costs Capitalised	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	203 110	2 642	42 869	-	248 621
Depreciation:	-	(397 558)	(1 907 436)	(399 048)	(1 186 455)	(115 504)	(4 006 002)
- Based on Cost	-	(397 558)	(1 907 436)	(399 048)	(1 186 455)	(115 504)	(4 006 002)
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	-	(334 200)	-	(334 200)
- Cost	-	-	-	-	(385 079)	-	(385 079)
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	50 878	-	50 878
- Based on Cost	-	-	-	-	50 878	-	50 878
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	(94 242)	-	(94 242)
- Cost	-	-	-	-	(235 000)	-	(235 000)
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	140 758	-	140 758
- Based on Cost	-	-	-	-	140 758	-	140 758
- Based on Revaluation	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-
Impairment Losses	-	(159 408)	(1 715)	(32 816)	(13 034)	-	(206 973)
Capital under Construction - Completed	-	-	(2 637 697)	(3 137 102)	-	-	(5 774 798)
Other Movements	-	289 169	2 637 697	2 847 932	-	-	5 774 798
- Cost	-	289 169	2 637 697	2 847 932	-	-	5 774 798
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Carrying values at 30 June 2012	8 146 586	9 799 293	40 180 818	20 238 764	8 160 964	240 414	86 766 839
Cost	8 146 586	11 625 988	50 930 062	21 871 193	12 983 964	363 953	105 921 744
- Completed Assets	8 146 586	11 625 988	38 527 579	13 244 098	12 983 964	363 953	84 892 167
- Under Construction	-	-	12 402 482	8 627 095	-	-	21 029 577
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	(161 224)	(720 740)	(57 055)	(118 980)	-	(1 057 999)
Accumulated Depreciation:	-	(1 665 470)	(10 028 504)	(1 575 374)	(4 704 019)	(123 539)	(18 096 906)
- Cost	-	(1 665 470)	(10 028 504)	(1 575 374)	(4 704 019)	(123 539)	(18 096 906)
- Revaluation	-	-	-	-	-	-	-

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, Plant and Equipment have been restated to correctly classify amounts held for Heritage Assets in terms of GRAP 103, previously included in Property, Plant and Equipment. Refer to Note 39.5 on "Change in Accounting Policy" for details of the restatement.

Furthermore, the prior year amount for *Property, Plant and Equipment* has been reclassified. Refer to Note 40.4 on "Correction of Error" for details of the reclassification.

Furthermore, the prior year amount for *Property, Plant and Equipment* has been adjusted. Refer to Note 40.6 on "Correction of Error" for details of the restatement.

Other movements of Property, Plant and Equipment are in respect of Work-in-Progress completed and transferred to Cost.

The leased Property, Plant and Equipment is secured as set out in Note 20.

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
9 PROPERTY, PLANT AND EQUIPMENT (Continued)		
9.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.		
9.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal		
Land	963 384	963 384
Other	582 153	149 730
Carrying Amount of PPE retired from active use and held for disposal	1 545 536	1 113 114

9.3 Assets pledged as security

The municipality did not pledge any of its assets as security.

9.4 Impairment of Property, Plant and Equipment

Impairment Losses on Property, Plant and Equipment to the amount of R33 427 (2012: R205 163) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 33.

Reversals of Impairment Losses on Property, Plant and Equipment to the amount of R0 (2012: R246 811) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 33.

The amount disclosed for impairment losses on Property, Plant and Equipment does not include individually material amounts of impairment losses. However, cumulative impairment losses for the following significant account balances are included therein:

Buildings	-	159 408
Infrastructure: Roads	7 328	(201 395)
Community Assets: Sports Facilities	-	(2 642)
Community Assets: Other Facilities	-	32 816
Other Assets: Computer Equipment	1 785	3 880
Other Assets: Emergency Equipment	5 520	-
Other Assets: Furniture and Fittings	3 834	5 192
Other Assets: Motor Vehicles	-	(95)
Other Assets: Office Equipment	6 152	3 868
Other Assets: Plant and Equipment	4 523	(7 677)
Other Assets: Specialised Vehicles	4 285	(35 002)
Total Impairment of Property, Plant and Equipment	33 427	(41 648)

Impairment losses on Property, Plant and Equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of Property, Plant and Equipment have been physically damaged, stolen or have become redundant and idle.

9.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

There was no change (2011/12: R0) in the estimated useful life of various assets of the municipality for the financial year.

9.6 Land and Buildings carried at Fair Value

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
10 INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	13 783	23 378
The movement in Intangible Assets is reconciled as follows:		
	Computer Software	Total
Carrying values at 01 July 2012	23 378	23 378
Cost	87 482	87 482
Accumulated Amortisation	(64 104)	(64 104)
Acquisitions:	-	-
Purchased	-	-
Amortisation:	(9 595)	(9 595)
Purchased	(9 595)	(9 595)
Carrying values at 30 June 2013	13 783	13 783
Cost	87 482	87 482
Accumulated Amortisation	(73 699)	(73 699)
	Computer Software	Total
Carrying values at 01 July 2011	33 798	33 798
Cost	87 482	87 482
Accumulated Amortisation	(53 684)	(53 684)
Acquisitions:	-	-
Purchased	-	-
Amortisation:	(10 419)	(10 419)
Purchased	(10 419)	(10 419)
Carrying values at 30 June 2012	23 378	23 378
Cost	87 482	87 482
Accumulated Amortisation	(64 104)	(64 104)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 32).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

10.1 Significant Intangible Assets

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

- (i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

10.2 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

10.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

11 INVESTMENT PROPERTY

At Cost less Accumulated Depreciation

4 114 852

4 114 852

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July

4 114 852

4 114 852

Cost

4 114 852

4 114 852

Accumulated Depreciation

-

-

Acquisitions during the Year

-

-

Depreciation during the Year

-

-

Carrying values at 30 June

4 114 852

4 114 852

Cost

4 114 852

4 114 852

Accumulated Depreciation

-

-

Estimated Fair Value of Investment Property at 30 June

7 280 000

7 280 000

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property

390 330

748 339

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

11.1 Investment Property carried at Fair Value

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

11.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

12 HERITAGE ASSETS

At Cost less Accumulated Impairment Losses

128 080

128 080

The movement in Heritage Assets is reconciled as follows:

	Cultural Buildings	Municipal Jewellery	Total
Carrying values at 01 July 2012	57 880	70 200	128 080
Cost	57 880	70 200	128 080
Accumulated Impairment	-	-	-
Acquisitions	-	-	-
Impairment Losses Recognised	-	-	-
Carrying values at 30 June 2013	57 880	70 200	128 080
Cost	57 880	70 200	128 080
Accumulated Impairment Losses	-	-	-
	Cultural Buildings	Municipal Jewellery	Total
Carrying values at 01 July 2011	57 880	70 200	128 080
Cost	57 880	70 200	128 080
Accumulated Impairment	-	-	-
Acquisitions	-	-	-
Impairment Losses Recognised	-	-	-
Carrying values at 30 June 2012	57 880	70 200	128 080
Cost	57 880	70 200	128 080
Accumulated Impairment Losses	-	-	-

Heritage Assets have been restated to correctly classify amounts held for Heritage Assets in terms of GRAP 103, previously included in Property, Plant and Equipment. Refer to Note 39.5 on "Change in Accounting Policy" for details of the restatement.

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

12.1 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

12.2 Heritage Assets measured after recognition using the Revaluation Model

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
13 NON-CURRENT INVESTMENTS		
Unlisted		
Unlisted Shares	266	266
	266	266
Total Investments		
All Investments	266	266
Less: Short-term Portion transferred to Current Investments	-	-
Total Non-current Investments	266	266
Council's valuation of Unlisted Investments		
Unlisted Shares	266	266
	266	266

The prior year amount for *Non-current Investments* has been reclassified. Refer to Note 40.4 on "Correction of Error" for details of the reclassification.

Unlisted Investments comprise the following:

(i) Unlisted Shares are investments in shares of NCT Forestry Co-operative Limited with no specific maturity dates or interest rates.

14 LONG-TERM RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Housing	1 916 263	1 916 263	-
uMgungundlovu District Municipality	32 368	-	32 368
	1 948 631	1 916 263	32 368
Less: Current Portion transferred to Current Receivables:-			22 600
Housing			-
uMgungundlovu District Municipality			22 600
Total Long-term Receivables			9 768
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Housing	1 918 788	-	1 918 788
uMgungundlovu District Municipality	53 136	-	53 136
	1 971 924	-	1 971 924
Less: Current Portion transferred to Current Receivables:-			20 768
Housing			-
uMgungundlovu District Municipality			20 768
Total Long-term Receivables			1 951 156

The prior year amount for *Long-term Receivables* has been reclassified. Refer to Note 40.4 on "Correction of Error" for details of the reclassification.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

HOUSING

The municipality incurred expenditure on Housing Projects on behalf of the Department of Human Settlements. The department has to refund the municipality for the expenditure incurred.

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

The Sanitation and Water Services were taken over by the District Municipality. The Municipality entered into a loan agreement with DBSA for the aummentation of these schemes. The loan was not taken over by the District Municipality, but the instalments are refunded to the Municipality by the District Municipality.

The municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the municipality's financial liabilities.

14.1 Ageing of Long-term Receivables

Current:

0 - 30 days	-	-
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Past Due:

31 - 60 Days	-	-
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61 - 90 Days	-	-
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91 - 120 Days	-	-
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+ 120 Days	1 948 631	1 971 924
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Total	1 948 631	1 971 924
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As at 30 June Long-term Receivables of R32 368 (2012: R1 971 924) were past due but not impaired. No terms for payment have been re-negotiated. The age analysis of these Long-term Receivables is as follows:

31 - 60 Days	-	-
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61 - 90 Days	-	-
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+ 90 Days	-	-
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+ 120 Days	32 368	1 971 924
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Total	32 368	1 971 924
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14.2 Reconciliation of the Provision for Impairment

Balance at beginning of year	-	-
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Impairment Losses recognised	1 916 263	-
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Impairment Losses reversed	-	-
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Amounts written off as uncollectable	-	-
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Amounts recovered	-	-
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Balance at end of year	1 916 263	-
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15 PROVISIONS

Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 21)	160 434	133 000
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Current Portion of Non-Current Provisions (See Note 22):	66 112	20 000
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Long-term Service	66 112	20 000
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Rehabilitation of Land-fill Sites	-	-
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Total Provisions	226 546	153 000
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The prior year amount for *Provisions* has been reclassified. Refer to Note 40.4 on "Correction of Error" for details of the reclassification.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

The movement in provisions are reconciled as follows:

Current Portion of Non-Current Provisions:

	Long-term Service R	Post-retirement R
30 June 2013		
Balance at beginning of year	20 000	133 000
Transfer from non-current	66 112	159 979
Expenditure incurred	(20 000)	(132 545)
Balance at end of year	66 112	160 434
30 June 2012		
Balance at beginning of year	30 000	127 000
Transfer from non-current	20 000	133 000
Expenditure incurred	(30 000)	(127 000)
Balance at end of year	20 000	133 000

16 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Creditors	1 924 899	969 031
Retentions	1 521 593	1 322 586
Other Creditors	2 250 092	1 829 347
Total Payables	5 696 584	4 120 965

The prior year amount for *Payables from Exchange Transactions* has been reclassified. Refer to Note 40.4 on "Correction of Error" for details of the reclassification.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

17 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Payments received in Advance	449 972	326 295
Staff Leave Accrued	1 516 780	1 252 416
Sundry Deposits	21 927	19 400
Suspense Accounts	(0)	107
Total Payables	1 988 679	1 598 219

The prior year amount for *Payables from Non-exchange Transactions* has been reclassified. Refer to Note 40.4 on "Correction of Error" for details of the reclassification.

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
18 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
18.1 Conditional Grants from Government	19 959 805	21 765 192
National Government Grants	12 967 920	15 379 672
Provincial Government Grants	6 991 885	6 385 520
Total Conditional Grants and Receipts	19 959 805	21 765 192

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 25 for the reconciliation of Grants from Government. The Unspent Grants are cashbacked by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

19 OPERATING LEASE LIABILITIES

Operating Leases are recognised on the straight-line basis as per the requirements of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

Balance at beginning of year	222 087	184 075
Operating Lease expenses recorded	44 259	44 259
Operating Lease payments effected	(6 872)	(6 247)
Total Operating Lease Liabilities	259 475	222 087

19.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 40 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

19.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Land:	1 475 308	1 519 567
Up to 1 year	44 259	44 259
2 to 5 years	177 037	177 037
More than 5 years	1 254 012	1 298 271
Total Operating Lease Arrangements	1 475 308	1 519 567

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	6 872	6 247
Total Operating Lease Expenses	6 872	6 247

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Land

The following restrictions have been imposed on the municipality in terms of the lease agreements on Office Equipment:

- (i) The equipment shall remain the property of the lessor.
- (ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.
- (iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.
- (iv) The municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
20 LONG-TERM LIABILITIES		
The municipality did not have any liabilities to be classified as Long-term Liabilities in terms of its Accounting Policies and Cash Management Policy at year-end.		
Annuity Loans	32 368	53 136
Finance Lease Liabilities	138 766	258 360
Sub-total	171 134	311 496
Less: Current Portion transferred to Current Liabilities:-	150 331	158 786
Annuity Loans	22 600	20 768
Finance Lease Liabilities	127 731	138 018
Total Long-term Liabilities (Neither past due, nor impaired)	20 803	152 710

The prior year amounts for *Long-term Liabilities* and its Current Portion have been reclassified. Refer to Note 40.4 on "Correction of Error" for details of the reclassification.

20.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 1 to 2 (2012: 2 to 3) years and at interest rates varying from 8,00% to 10,00% (2012: 8,00% to 10,00%) per annum. Annuity Loans are not secured.

Finance Lease Liabilities relates to Office Equipment with lease terms of 1 (2012: 2) years. The effective interest rate on Finance Leases is 9,00% (2012: 9,00%). Capitalised Lease Liabilities are secured over the items of equipment leased.

Refer to Appendix "A" for more detail on Long-term Liabilities.

20.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 1 years (2012: 2 years). The effective interest rate on Finance Leases is 9,00% (2012: 9,00%).

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2013 R	2012 R	2013 R	2012 R
Amounts payable under finance leases:				
Within one year	145 734	138 018	145 734	138 018
In the second to fifth years, inclusive	-	145 734	-	145 734
Over five years	-	-	-	-
	145 734	283 752	145 734	283 752
Less: Future Finance Obligations	6 968	25 392	6 968	25 392
Present Value of Minimum Lease Obligations	138 766	258 360	138 766	258 360
Less: Amounts due for settlement within 12 months (Current Portion)			127 731	138 018
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			11 035	120 342

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment

Included in these classes are the following significant leases:

(i) Ericson Switchboard and Photocopiers	R 145 734	R 283 752
- Installments are payable quarterly in advance		
- Average period outstanding	12 months	24 months
- Average effective interest rate	9.00%	9.00%
- Average quarterly installment	R 5 210.34	R 5 750.77

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
21 RETIREMENT BENEFIT LIABILITIES		
21.1 Post-retirement Health Care Benefits Liability		
Balance at beginning of Year	5 164 351	4 311 351
Contributions to Provision	1 808 215	986 000
Balance at end of Year	<u>6 972 566</u>	<u>5 297 351</u>
Transfer to Current Provisions	(159 979)	(133 000)
Total Post-retirement Health Care Benefits Liability	<u>6 812 587</u>	<u>5 164 351</u>

The prior year amount for *Retirement Benefit Liabilities* has been reclassified. Refer to Note 40.4 on "Correction of Error" for details of the reclassification.

Furthermore, *Retirement Benefit Liabilities* have been restated to agree to the Actuarial Reports. Refer to Note 40.6 on "Correction of Error" for details of the restatement.

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Mr CJ Maroba, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	119	101
Continuation Members (Retirees, widowers and orphans)	6	5
Total Members	<u>125</u>	<u>106</u>

The liability in respect of past service has been estimated as follows:

In-service Members	4 255 070	3 317 871
Continuation Members	2 717 496	1 979 480
Total Liability	<u>6 972 566</u>	<u>5 297 351</u>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- KeyHealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2013 is estimated to be R436 078, whereas the cost for the ensuing year is estimated to be R665 689 (30 June 2012: R383 000 and R436 078 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	7.25%	8.35%
Health Care Cost Inflation Rate	6.75%	6.85%
Net Effective Discount Rate	0.47%	1.40%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	R	R
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	5 297 351	4 438 351
Current service costs	436 078	383 000
Interest cost	436 795	372 000
Benefits paid	(132 545)	(119 000)
Actuarial losses / (gains)	934 887	223 000
Present Value of Fund Obligation at the end of the Year	6 972 566	5 297 351
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	6 972 566	5 297 351
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	6 972 566	5 297 351
Unfunded Accrued Liability	6 972 566	5 297 351
Unrecognised Actuarial Gains / (Losses)	-	-
Total Benefit Liability	6 972 566	5 297 351
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	436 078	383 000
Interest cost	436 795	372 000
Actuarial losses / (gains)	934 887	223 000
Adjustment for Short-term Portion from Previous Year	455	8 000
Total Post-retirement Benefit included in Employee Related Costs (Note 30)	1 808 215	986 000

The history of experienced adjustments is as follows:

	2013	2012	2011	2010	2009
	R	R	R	R	R
Present Value of Defined Benefit Obligation	6 972 566	5 297 351	4 438 351	3 381 351	-
Deficit	6 972 566	5 297 351	4 438 351	3 381 351	-
Experienced adjustments on Plan Liabilities	934 887	223 000	587 000	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2011 reporting period.

	2013	2012
	R	R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	336 761	222 000
Effect on the defined benefit obligation	1 665 012	1 089 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(237 303)	(266 000)
Effect on the defined benefit obligation	(1 260 511)	(843 000)

The municipality expects to make a contribution of R1 165 385 (2012: R873 000) to the Defined Benefit Plans during the next financial year.

Refer to Note 49, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
22 NON-CURRENT PROVISIONS		
Provision for Long Service Awards	1 072 196	752 000
Provision for Rehabilitation of Land-fill Sites	2 817 431	2 817 431
Total Non-current Provisions	3 889 627	3 569 431

The prior year amount for *Non-current Provisions* has been reclassified. Refer to Note 40.4 on "Correction of Error" for details of the reclassification.

The movement in Non-current Provisions are reconciled as follows:

	Long-service Awards R	Land-fill Sites R
30 June 2013		
Balance at beginning of year	752 000	2 817 431
Contributions to provision	386 308	-
	<u>1 138 308</u>	<u>2 817 431</u>
Transfer to current provisions	(66 112)	-
Balance at end of year	<u>1 072 196</u>	<u>2 817 431</u>
30 June 2012		
Balance at beginning of year	623 000	2 561 301
Contributions to provision	149 000	256 130
	<u>772 000</u>	<u>2 817 431</u>
Transfer to current provisions	(20 000)	-
Balance at end of year	<u>752 000</u>	<u>2 817 431</u>

22.1 Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Mr CJ Maroba, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 119 (2012: 111) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2013 is estimated to be R116 643, whereas the cost for the ensuing year is estimated to be R171 289 (30 June 2012: R99 000 and R116 643 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	7.25%	8.25%
Cost Inflation Rate	7.15%	6.90%
Net Effective Discount Rate	0.09%	1.25%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	772 000	653 000
Current service costs	116 643	99 000
Interest cost	62 881	50 000
Benefits paid	(20 344)	(30 000)
Actuarial losses / (gains)	207 128	-
Present Value of Fund Obligation at the end of the Year	1 138 308	772 000
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	1 138 308	772 000
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	1 138 308	772 000
Unfunded Accrued Liability	1 138 308	772 000
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	1 138 308	772 000
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	116 643	99 000
Interest cost	62 881	50 000
Actuarial losses / (gains)	207 128	-
Adjustment for Short-term Portion from Previous Year	(344)	-
Total Post-retirement Benefit included in Employee Related Costs (Note 30)	386 308	149 000

The history of experienced adjustments is as follows:

	2013 R	2012 R	2011 R	2010 R	2009 R
Present Value of Defined Benefit Obligation	1 138 308	772 000	653 000	590 000	-
Deficit	1 138 308	772 000	653 000	590 000	-
Experienced adjustments on Plan Liabilities	207 128	-	-	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2011 reporting period.

	2013 R	2012 R
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	32 445	22 000
Effect on the defined benefit obligation	123 170	82 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(27 695)	(20 000)
Effect on the defined benefit obligation	(108 462)	(71 000)

The municipality expects to make a contribution of R251 446 (2012: R180 000) to the defined benefit plans during the next financial year.

22.2 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse site, the municipality will incur licensing and rehabilitation costs of R3 384 330 (2012: R2 817 431) to restore the site at the end of its useful life, estimated to be in 2018. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
23 ACCUMULATED SURPLUS		
The Accumulated Surplus consists of the following Internal Funds and Reserves:		
Housing Development Fund	248 164	238 652
Accumulated Surplus / (Deficit) due to the results of Operations	116 906 499	102 660 305
Total Accumulated Surplus	117 154 663	102 898 956

Accumulated Surplus has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Note 40.1 "Correction of Error" for details of the restatements.

Restatement of Retirement Benefit Liabilities - Notes 40.5 and 40.6
Restatement of Property Rates income - Notes 40.5 and 40.6
Restatement of Rental of Facilities income - Notes 40.5 and 40.6
Restatement of Employee Related Cost expenditure - Notes 40.5 and 40.6
Restatement of General Expenses expenditure - Notes 40.5 and 40.6

Sections 15(5) and 16 of the Housing Act, (Act No 107 of 1997), which came into operation on 1 April 1998, required that the municipality maintain a separate housing operating account. This legislated separate operating account is known as the **Housing Development Fund**. The fund is cash-backed.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

24 PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2012	July 2011		
	R000's	R000's		
Agricultural	1 093 726	701 846	1 629 431	381 047
Commercial	137 113	113 597	1 554 502	1 194 098
Residential	353 045	343 291	1 601 532	1 663 021
Sectional Title	5 732	5 732	29 716	60 117
State	317 932	203 146	3 065 159	2 292 541
Other	201 819	143 282	667 711	511 443
Total Property Rates	2 109 367	1 510 894	8 548 051	6 102 267

The prior year amount for *Property Rates* has been adjusted. Refer to Note 40.5 on "Correction of Error" for details of the restatement.

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2012.

Interim valuations are processed annually to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0,0059207 c/R (2011/12: 0,0056930 c/R)
Business Properties: 0,0118404 c/R (2011/12: 0,0113850 c/R)
Agricultural Properties: 0,0015070 c/R (2011/12: 0,0014490 c/R)

The first R15 000 (2011/12: R15 000) of the valuation of all properties are exempted from the calculation of rates. Furthermore, a rebate of R35 000 (2011/12: R35 000) is allowed on developed property.

Rebates and exemptions are granted to pensioners, non-profitable organisations, sporting bodies, religious bodies, etc in terms of the municipality's Rates Policy.

Rates are levied monthly on property owners and are payable at the end of each month. Property owners can request that the full amount for the year be raised in August in which case the amount has to be paid by 28 February. Interest is levied at a rate determined by council on outstanding rates amounts.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
25 GOVERNMENT GRANTS AND SUBSIDIES		
National Equitable Share	27 522 000	24 803 169
Other Subsidies	2 572 032	2 408 051
Operational Grants	<u>30 094 032</u>	<u>27 211 220</u>
Conditional Grants	27 058 427	14 420 460
National: Equitable Share	-	59 831
National: FMG	1 681 133	1 717 593
National: MIG	17 790 083	7 140 960
National: MSIG	890 178	761 713
National: Department Arts and Culture	85 000	-
National: Department Human Settlement	4 597 345	37 522
National: Department Minerals and Energy	135 961	-
Provincial: COGTA	1 878 726	4 666 716
Local Government: Umgungundlovu District Municipality	-	36 125
Total Government Grants and Subsidies	<u><u>57 152 459</u></u>	<u><u>41 631 680</u></u>

The prior year amount for *Government Grants and Subsidies* has been reclassified. Refer to Note 40.2 on "Correction of Error" for details of the reclassification.

Operational Grants:

25.1 National: Equitable Share	<u><u>27 522 000</u></u>	<u><u>24 803 169</u></u>
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In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R61,25 (2012: R59,20), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. Indigent residential households receive basic refuse removal and 50 kWh electricity free every month. No funds have been withheld.

Conditional Grants:

25.2 National: Equitable Share

Balance unspent at beginning of year	0	59 831
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(59 831)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><u>0</u></u>	<u><u>0</u></u>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by National Treasury the funds are also utilised to enable the municipality to execute its functions as the local authority. No funds have been withheld.

25.3 National: FMG Grant

Balance unspent at beginning of year	181 133	398 727
Current year receipts	1 500 000	1 500 000
Conditions met - transferred to Revenue: Operating Expenses	(1 681 133)	(1 717 593)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><u>0</u></u>	<u><u>181 133</u></u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
25.4 National: MIG Funds		
Balance unspent at beginning of year	8 771 082	2 412 042
Current year receipts	16 376 000	13 500 000
Conditions met - transferred to Revenue: Operating Expenses	(85 980)	-
Conditions met - transferred to Revenue: Capital Expenses	(17 704 103)	(7 140 960)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>7 356 999</u>	<u>8 771 082</u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, sports fields and community halls as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

25.5 National: MSIG Funds

Balance unspent at beginning of year	90 178	61 891
Current year receipts	800 000	790 000
Conditions met - transferred to Revenue: Operating Expenses	(890 178)	(761 713)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>(0)</u>	<u>90 178</u>

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

25.6 National: Department Arts and Culture

Balance unspent at beginning of year	85 000	-
Current year receipts	90 000	85 000
Conditions met - transferred to Revenue: Operating Expenses	(85 000)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>90 000</u>	<u>85 000</u>

This grant was allocated to provide access to modern day technology and information resources; and relevant collections of library materials which meet the needs of the communities. No funds have been withheld.

25.7 National: Department Human Settlement

Balance unspent at beginning of year	2 252 279	2 191 456
Current year receipts	3 954 455	37 522
Interest allocated	47 494	60 822
Conditions met - transferred to Revenue: Operating Expenses	(4 597 345)	(37 522)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>1 656 882</u>	<u>2 252 279</u>

This grant was allocated for the funding of various housing projects to assist the indigent communities. No funds have been withheld.

25.8 National: Department Minerals and Energy

Balance unspent at beginning of year	4 000 000	-
Current year receipts	-	4 000 000
Conditions met - transferred to Revenue: Operating Expenses	(135 961)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>3 864 039</u>	<u>4 000 000</u>

Expenses were incurred for the electrification of households in the community. No funds have been withheld.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
25.9 Provincial: Department Cooperative Government and Trading Affairs (COGTA)		
Balance unspent at beginning of year	6 385 520	10 583 444
Current year receipts	2 157 049	-
Interest allocated	328 042	468 793
Conditions met - transferred to Revenue: Operating Expenses	(407 755)	(4 666 716)
Conditions met - transferred to Revenue: Capital Expenses	(1 470 971)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>6 991 885</u>	<u>6 385 520</u>

This grant was allocated for the funding of various projects e.g. Retail Market Facility, CBD Stormwater and Street Rehabilitation, Traffic Lights and Drivers' Testing Centre. No funds have been withheld.

25.10 Local Government: Umgungundlovu District Municipality

Balance unspent at beginning of year	-	36 125
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(36 125)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>-</u>

This grant was allocated to the municipality as a contribution towards the RSDI. No funds have been withheld.

25.11 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2013), government grant funding is expected to increase over the forthcoming three financial years.

34 PUBLIC CONTRIBUTIONS AND DONATIONS

Conditional Contributions:	-	-
Unconditional Contributions	-	-
Other Donations	-	-
Total Public Contributions and Donations	<u>-</u>	<u>-</u>

26 SERVICE CHARGES

Refuse Removal	299 603	283 028
Total Service Charges	<u>299 603</u>	<u>283 028</u>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

27 RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Amenities	6 000	6 000
Rental Revenue from Buildings	519 466	515 611
Rental Revenue from Halls	117 694	75 884
Rental Revenue from Land	390 330	2 397 695
Rental Revenue from Other Facilities	-	843
Total Rental of Facilities and Equipment	<u>1 033 491</u>	<u>2 996 033</u>

The prior year amount for *Rental of Facilities and Equipment* has been adjusted. Refer to Note 40.5 on "Correction of Error" for details of the restatement.

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
28 INTEREST EARNED		
Property Rates:		
Penalties imposed and Collection Charges	806 897	793 032
	806 897	793 032
External Investments:		
Bank Account	39 012	34 160
Investments	1 656 331	1 586 358
	1 695 342	1 620 518
Outstanding Debtors:		
Outstanding Billing Debtors	146 399	98 028
	146 399	98 028
Total Interest Earned	2 648 637	2 511 578

Interest Earned have been restated to correctly identify revenue for Interest on External Investments earned by the Housing Development Fund in terms of GRAP 1.114, previously credited to Net Assets. Refer to Note 40.5 on "Correction of Error" for details of the restatement.

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Available-for-Sale Financial Assets	1 695 342	1 620 518
Held-to-Maturity Investments	-	-
Loans and Receivables	953 295	891 060
	2 648 637	2 511 578

29 OTHER REVENUE

Building Plan Fees	72 353	27 463
Cemetery Fees	63 047	46 577
Plot Clearing Charges	-	79 840
Pound Fees	23 400	10 419
Prints	15 371	6 755
Refuse Dump Fees	33 529	25 848
Reimbursement of Expenditure	78 490	91 831
SETA Refunds	67 826	103 981
Tender Documents	84 167	63 158
Town Planning Fees	10 209	8 812
Sundry Income	44 843	35 358
Total Other Revenue	493 234	500 045

The prior year amount for *Other Revenue* has been reclassified. Refer to Note 40.2 on "Correction of Error" for details of the reclassification.

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 24 to 28, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
30 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	17 268 289	14 796 444
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	3 123 844	2 546 856
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	878 568	413 375
Housing Benefits and Allowances	32 657	19 491
Overtime Payments	446 886	393 939
Defined Benefit Plan Expense:	2 042 235	978 000
Current Service Cost	2 042 235	978 000
Total Employee Related Costs	23 792 479	19 148 104

The prior year amount for *Employee Related Costs* has been reclassified. Refer to Note 40.3 on "Correction of Error" for details of the reclassification.

Employee Related Costs have been restated to correctly identify expenditure for Health Care Benefits in terms of the actuarial report. Refer to Note 40.5 on "Correction of Error" for details of the restatement.

No advances were made to employees.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager

Annual Remuneration	495 217	631 472
Car and Other Allowances	351 534	138 000
Company Contributions to UIF, Medical and Pension Funds	28 899	26 772
Total	875 650	796 244

Remuneration of the Chief Financial Officer

Annual Remuneration	337 500	283 700
Car and Other Allowances	190 702	18 000
Company Contributions to UIF, Medical and Pension Funds	34 298	44 274
Total	562 500	345 974

The post was vacant as from 01 January 2012 until 30 September 2012. An Acting Allowance was paid for the period.

Remuneration of the Strategic Manager: Community Services

Annual Remuneration	191 669	502 000
Car and Other Allowances	391 991	60 000
Company Contributions to UIF, Medical and Pension Funds	87 826	74 480
Total	671 486	636 480

The contract for the Strategic Manager: Community Services expired on 31 May 2013. Council has resolved to extend the contract for an additional two months.

Remuneration of the Strategic Manager: Corporate Services

Annual Remuneration	202 108	525 746
Car and Other Allowances	416 151	60 000
Company Contributions to UIF, Medical and Pension Funds	53 227	50 734
Total	671 486	636 480

The contract for the Strategic Manager: Corporate Services expired on 30 June 2013. Council has resolved to extend the contract for an additional two months.

Remuneration of the Strategic Manager: Technical Services

Annual Remuneration	20 000	518 379
Car and Other Allowances	69 955	30 000
Company Contributions to UIF, Medical and Pension Funds	8 085	88 101
Total	98 040	636 480

The post was vacant as from 01 August 2012 until 30 June 2013. An Acting Allowance was paid for the period.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R **2012**
R

The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:

Staff Leave Benefits:-

Municipal Manager	77 057	92 960
Chief Financial Officer	42 000	-
Strategic Manager: Community Services	110 124	84 015
Strategic Manager: Corporate Services	110 124	64 921
Strategic Manager: Technical Services	-	71 286
Total	339 305	313 182

31 REMUNERATION OF COUNCILLORS

Mayor	489 003	452 199
Deputy Mayor	205 737	205 131
Speaker	205 737	205 131
Executive Committee Members	192 878	192 310
Councillors	1 402 748	1 398 625
Other Allowances (Cellular Phones, Housing, Transport, etc)	981 062	936 602
Total Councillors' Remuneration	3 477 164	3 389 998

Remuneration of Councillors:

In-kind Benefits

The Councillor occupying the position of Mayor of the municipality serve in a full-time capacity. The Councillors occupying the positions of Mayor, Deputy Mayor and Speaker are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor has one full-time bodyguard and a full-time driver. The Deputy Mayor has one full-time bodyguard/driver.

32 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	4 580 983	4 006 002
Amortisation: Intangible Assets	9 595	10 419
Total Depreciation and Amortisation	4 590 578	4 016 421

33 IMPAIRMENT LOSSES

33.1 Impairment Losses on Fixed Assets

Impairment Losses Recognised:

Property, Plant and Equipment	33 427	206 973
Intangible Assets	-	-
Investment Property	-	-
Heritage Assets	-	-

Impairment Losses Reversed:

Property, Plant and Equipment	-	(248 621)
Intangible Assets	-	-
Investment Property	-	-
Heritage Assets	-	-

33 427 **(41 648)**

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
33.2 Impairment Losses on Financial Assets		
Impairment Losses Recognised:	3 889 853	506 163
Receivables from Exchange Transactions	35 184	53 989
Receivables from Non-exchange Transactions	1 938 406	452 174
Impairment Losses Reversed:	(6 304)	(33 095)
Receivables from Exchange Transactions	(6 304)	(33 095)
Receivables from Non-exchange Transactions	-	-
	3 883 549	473 068
Total Impairment Losses	3 916 976	431 420

The prior year amount for *Impairment Losses* has been reclassified. Refer to Note 40.3 on "Correction of Error" for details of the reclassification.

34 FINANCE COSTS

Loans and Payables at amortised cost	18 425	26 696
Total Interest Paid on External Borrowings	18 425	26 696

35 CONTRACTED SERVICES

Professional Fees	10 807	36 723
Security Services	2 029 362	1 935 594
Valuation Services	104 000	111 804
Other Contracted Services	789 101	1 437 864
Total Contracted Services	2 933 271	3 521 984

The prior year amount for *Contracted Services* has been reclassified. Refer to Note 40.3 on "Correction of Error" for details of the reclassification.

Furthermore, the prior year amount for *Contracted Services* has been adjusted. Refer to Note 40.5 on "Correction of Error" for details of the restatement.

36 GRANTS AND SUBSIDIES PAID

Community Projects	5 057 510	1 264 355
Free Basic Services	82 511	664 710
Sport Events	22 732	70 088
Tourism	1 850	10 850
Other Grants and Subsidies Paid	22 306	73 695
Total Grants and Subsidies	5 186 910	2 083 698

The prior year amount for *Grants and Subsidies Paid* has been reclassified. Refer to Note 40.3 on "Correction of Error" for details of the reclassification.

Community Projects are in respect of community cultural programs and catering & transport cost within the municipality's area of jurisdiction.

Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.

Sport Events are in respect accommodation and travelling expenses of participants for sporting events attended outside the municipal area of jurisdiction.

Tourism Expenses are in respect of assistance to the local tourism organisation.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
37 GENERAL EXPENSES		
Included in General Expenses are the following:		
Advertising	352 431	292 779
Audit Fees	719 430	532 817
Bank Charges	63 875	54 389
Bursaries	60 695	79 845
Chemicals and Poison	75 354	-
Cleaning Material	113 061	103 512
Communication and Public Participation	187 464	92 160
Disaster Expenditure	17 918	22 080
Electricity	911 650	839 887
Entertainment	46 034	55 741
Expenditure incurred from Grants:		
- COGTA	310 939	201 416
- District Municipality	-	51 125
- DME	135 961	-
- FMG	1 681 133	1 717 593
- Library	85 000	-
- MSIG	890 178	636 533
- Transport	50 214	23 728
Fuel and Oil	1 267 366	971 810
Hiring of Equipment	4 368	4 653
IDP Review	-	26 013
Insurance	574 449	568 949
Lease Charges	125 621	155 981
Legal Costs	510 000	219 544
Levies: SALGA	400 000	110 000
Marketing	30 764	39 219
Mayoral Special Programmes	4 860	19 928
Medical Examinations	650	-
Performance Evaluation Committee	41 650	42 799
Plot Clearing	-	74 889
Postage and Telegrams	58 439	50 874
Printing and Stationery	207 317	186 807
Seminars and Conferences	100 602	54 855
Telephone Cost	392 189	441 887
Training Costs	51 422	19 745
Travelling and Subsistence	434 486	338 589
Uniforms and Protective Clothing	182 120	162 206
Valuation Roll	-	851 205
Water	13 947	57 325
Other General Expenses	930 585	1 107 339
Total General Expenses	11 032 172	10 208 222

The prior year amount for *General Expenses* has been reclassified. Refer to Note 40.3 on "Correction of Error" for details of the reclassification.

Furthermore, the prior year amount for *General Expenses* has been adjusted. Refer to Note 40.5 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

No other extra-ordinary expenses were incurred.

38 OTHER GAINS AND LOSSES

Gains / (Losses) in Fair Value of Property, Plant and Equipment	-	126 458
Net Other Gains and Losses	-	126 458

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013	2012
R	R

39 CHANGE IN ACCOUNTING POLICY

The municipality adopted the following Accounting Standards for the first time during the financial year 2012/13 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

- GRAP 21 Impairment of Non-cash-generating Assets
- GRAP 23 Revenue from Non-exchange Transactions
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 26 Impairment of Cash-generating Assets
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments

39.1 GRAP 21 - Impairment of Non-cash-generating Assets

The Accounting Standard for *Impairment of Non-cash-generating Assets* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2013 in terms of GRAP 21.

The municipality has developed Accounting Policies to fully comply with GRAP 21 (*Impairment of Non-cash-generating Assets*). Previously the municipality used the principles set out in IPSAS 21 to account for impairment of non-cash-generating assets. GRAP 21 is applied prospectively and there is no need for restatement of prior year figures as the principles in GRAP 21 and IPSAS 21 are similar.

39.2 GRAP 23 - Revenue from Non-exchange Transactions

The Accounting Standard for *Revenue from Non-exchange Transactions* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2013 in terms of GRAP 23.

The municipality has developed Accounting Policies to fully comply with GRAP 23 (*Revenue from Non-exchange Transactions*). Previously the municipality used the principles set out in GAMAP 9 to account for revenue from non-exchange transactions. GRAP 23 is applied prospectively and there is no need for restatement of prior year figures.

39.3 GRAP 24 - Presentation of Budget Information in the Financial Statements

The Accounting Standard for *Presentation of Budget Information in the Financial Statements* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2013 in terms of GRAP 24.

The municipality has developed Accounting Policies to fully comply with GRAP 24 (*Presentation of Budget Information in the Financial Statements*). Previously the municipality used the principles set out in GRAP 1 to present budget information. GRAP 24 is to be applied prospectively. To fully comply with the requirements set out in this Standard, the municipality have included the following budget information:

- Budget Statement
- Appendix E1: Reconciliation of Budgeted Financial Performance by Standard Classification
- Appendix E2: Reconciliation of Budgeted Financial Performance by Municipal Vote
- Appendix E3: Reconciliation of Budgeted Financial Performance
- Appendix E4: Reconciliation of Budgeted Capital Expenditure
- Appendix E5: Reconciliation of Budgeted Cash Flows

39.4 GRAP 26 - Impairment of Cash-generating Assets

The Accounting Standard for *Impairment of Cash-generating Assets* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2013 in terms of GRAP 26.

The municipality has developed Accounting Policies to fully comply with GRAP 26 (*Impairment of Cash-generating Assets*). Previously the municipality used the principles set out in IAS 36 to account for impairment of cash-generating assets. GRAP 21 is applied prospectively and there is no need for restatement of prior year figures as the principles in GRAP 21 and IAS 36 are similar.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013 **2012**
R **R**

39.5 GRAP 103 - Heritage Assets

The Accounting Standard for *Heritage Assets* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2013 in terms of GRAP 103.

The municipality has developed Accounting Policies to fully comply with GRAP 103 (*Heritage Assets*). Previously the municipality used the principles set out in GRAP 17 to account for impairment of cash-generating assets. Heritage Assets have been recognised retrospectively in the Annual Financial Statements.

The municipality utilised the transitional provisions under Directive 4, which allows 3 years for the measurement of Heritage Assets.

Reclassification of Property, Plant & Equipment and Heritage Assets:

The prior year figures of Property, Plant & Equipment and Heritage Assets have been restated to correctly disclose the assets held by the municipality in terms of GRAP 103. Also see Note 40.4 on "Correction of Error".

The effect of the Change in Accounting Policy is as follows:

	Property, Plant & Equipment	Heritage Assets
Balances published as at 30 June 2011	75 823 300	-
Transfer Heritage Assets	(128 080)	128 080
Restated Balances as at 30 June 2011	<u>75 695 220</u>	<u>128 080</u>

39.6 GRAP 104 - Financial Instruments

The Accounting Standard for *Financial Instruments* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2013 in terms of GRAP 104.

The municipality has developed Accounting Policies to fully comply with GRAP 104 (*Financial Instruments*). Previously the municipality used the principles set out in IAS 39 to account for financial instruments. Management has evaluated the requirements of the Standard and it was found that the only adjustment to be made is to the classification of the Financial Assets and Liabilities.

Reclassification of Financial Instruments:

The municipality opted to develop an Accounting Policy based on GRAP 104, Financial Instruments. The effect of this change in Accounting Policy is summarised in the following table that indicates the effect of the classification and measurement adjustments to the municipality's Financial Instruments as at 30 June 2012.

	Old Classification as per IAS 39	Classification per GRAP 104	Old Carrying Amount	New Carrying Amount
FINANCIAL ASSETS:				
Non-current Investments				
Investment in Municipal Stock	Held to maturity	Amortised cost	266	266
Long-term Receivables				
Housing	Loans and receivables	Amortised cost	1 918 788	1 918 788
uMgungundlovu District Municipality	Loans and receivables	Amortised cost	32 368	32 368
Receivables from Exchange Transactions				
Refuse	Loans and receivables	Amortised cost	54 766	54 766
Other Debtors	Loans and receivables	Amortised cost	935 873	935 873
Receivables from Non-exchange Transactions				
Assessment Rates Debtors	Loans and receivables	Amortised cost	3 088 877	3 088 877
Payments made in Advance	Loans and receivables	Amortised cost	2 147	2 147
Accruals	Loans and receivables	Amortised cost	51 353	51 353
Sundry Deposits	Loans and receivables	Amortised cost	9 300	9 300
Sundry Debtors	Loans and receivables	Amortised cost	2 480 694	2 480 694
Suspense Accounts	Loans and receivables	Amortised cost	29 335	29 335

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

			2013 R	2012 R
	Old Classification as per IAS 39	Classification per GRAP 104	Old Carrying Amount	New Carrying Amount
Cash and Cash Equivalents				
Call Deposits	Available for sale	Fair value	36 700 683	36 700 683
Bank Balances	Available for sale	Fair value	1 017 662	1 017 662
Cash Floats and Advances	Available for sale	Fair value	3 200	3 200
Current Portion of Long-term Receivables				
uMgungundlovu District Municipality	Loans and receivables	Amortised cost	20 768	20 768
FINANCIAL LIABILITIES:				
Long-term Liabilities				
Annuity Loans	Financial liabilities at amortised cost	Amortised cost	32 368	32 368
Finance Lease Liabilities	Financial liabilities at amortised cost	Amortised cost	120 342	120 342
Payables				
Trade Creditors	Financial liabilities at amortised cost	Amortised cost	969 031	969 031
Retentions	Financial liabilities at amortised cost	Amortised cost	1 322 586	1 322 586
Staff Leave Accrued	Financial liabilities at amortised cost	Amortised cost	1 252 416	1 252 416
Sundry Deposits	Financial liabilities at amortised cost	Amortised cost	19 400	19 400
Other Creditors	Financial liabilities at amortised cost	Amortised cost	1 829 347	1 829 347
Current Portion of Long-term Liabilities				
Annuity Loans	Financial liabilities at amortised cost	Amortised cost	20 768	20 768
Finance Lease Liabilities	Financial liabilities at amortised cost	Amortised cost	138 018	138 018

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2012 and the Accumulated Surplus of prior years was not affected either.

40 CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

40.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

	Accumulated Surplus
Balances published as at 30 June 2011	93 636 428
Correction of Error:-	
Restate Retirement Benefits for Prior Year Health Service Benefits - Note 40.6	(588 787)
Restated Balances as at 30 June 2011	93 047 641
Transactions previously incurred for the Year 2011/12	9 257 085
Correction of Error:-	
Restate Retirement Benefits and Expenditure for Health Benefits - Notes 40.5 and 40.6	588 436
Restate Receivables and Income for Assessment Rates - Notes 40.5 and 40.6	(13 172)
Restate Receivables and Income for Rentals - Notes 40.5 and 40.6	(2 500)
Restate Receivables and Expenditure for Medical Aid - Notes 40.5 and 40.6	3 000
Restate Receivables and Expenditure for Fruitless Expenditure - Notes 40.5 and 40.6	18 466
Restated Balances as at 30 June 2012	102 898 956

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

40.2 Reclassification of Revenue

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

The effect of the Correction of Error is as follows:

	2011/12 Revenue	2011/12 Restated	Adjusted Amount
Property Rates	6 115 439	6 115 439	-
Property Rates - Penalties imposed and collection charges	793 032	793 032	0
Fines	2 659	2 659	0
Licences and Permits	489 679	422 835	66 844
Income for Agency Services	427 511	517 926	(90 415)
Government Grants and Subsidies Received	41 563 752	41 631 680	(67 928)
Service Charges	283 028	283 028	-
Rental of Facilities and Equipment	1 349 177	1 349 177	0
Interest Earned - External Investments	1 610 290	1 610 290	(0)
Interest Earned - Outstanding Debtors	98 028	98 028	0
Other Income	523 614	500 045	23 569
Other Gains on Continued Operations	126 458	126 458	0
Gains on Donated Assets	67 930	-	67 930
	<u><u>53 450 597</u></u>	<u><u>53 450 596</u></u>	<u><u>1</u></u>

The Restated Amounts above are because of the following corrections made:

	Rates: Penalties	Fines	Licences & Permits	Agency Services
Balance previously reported	793 032	2 659	489 679	427 511
Dog Licences (Item 3570 000)			11	
Fees: Building Inspections (Item 4130 000)			(10 000)	
Fees: Building Plans (Item 4140 000)			(17 463)	
Fees: Burial (Item 4150 000)			(18 824)	
Fees: Refuse Dump (Item 4250 000)			(25 848)	
Rank Permits (Item 3580 000)			5 281	
Commission: Payroll Deductions (Item 4300 000)				10 554
Management Fee (Item 3610 000)				79 860
Rounding Errors	(0)	(0)	0	-
Restated Balance now reported	<u><u>793 032</u></u>	<u><u>2 659</u></u>	<u><u>422 835</u></u>	<u><u>517 926</u></u>
	Government Grants	Other Income	Gains on Donated Assets	Other Gains
Balance previously reported	41 563 752	523 614	67 930	126 458
Grant: Library Services (Item 4135 000)	67 930		(67 930)	
Dog Licences (Item 3570 000)		(11)		
Fees: Building Inspections (Item 4130 000)		10 000		
Fees: Building Plans (Item 4140 000)		17 463		
Fees: Burial (Item 4150 000)		18 824		
Fees: Refuse Dump (Item 4250 000)		25 848		
Rank Permits (Item 3580 000)		(5 281)		
Commission: Payroll Deductions (Item 4300 000)		(10 554)		
Management Fee (Item 3610 000)		(79 860)		
Rounding Errors	(2)	1	(0)	(0)
Restated Balance now reported	<u><u>41 631 680</u></u>	<u><u>500 045</u></u>	<u><u>0</u></u>	<u><u>126 458</u></u>

RICHMOND LOCAL MUNICIPALITY
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2013
R

2012
R

40.3 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	2011/12 Expenditure	2011/12 Restated	Adjusted Amount
Employee Related Costs	20 027 040	19 739 540	287 500
Remuneration of Councillors	3 389 998	3 389 998	0
Collection Costs	16 939	16 939	(0)
Depreciation and Amortisation	4 016 422	4 016 421	1
Impairment Losses	473 068	431 420	41 648
Repairs and Maintenance	2 113 536	2 390 509	(276 973)
Finance Costs	26 696	26 696	0
Contracted Services	2 339 742	2 374 439	(34 697)
Grants and Subsidies Paid	64 730	2 083 698	(2 018 968)
General Expenses	11 511 884	9 724 877	1 787 007
Loss on Disposal of Property, Plant and Equipment	9 200	9 200	(0)
Landfill Rehabilitation	256 130	-	256 130
Impairment Loss/(Reversal of Impairment Loss)	(41 648)	-	(41 648)
Surplus / (Deficit) for the Year	9 246 860	9 246 858	2
	<u>53 450 597</u>	<u>53 450 596</u>	<u>1</u>

The Restated Amounts above are because of the following corrections made:

	Employee Costs	Remuneration Councillors	Collection Costs	Depreciation & Amortisation
Balance previously reported	20 027 040	3 389 998	16 939	4 016 422
Insurance: WCA (Item 7330 000)	(125 294)			
Uniforms (Item 5130 000)	(162 206)			
Rounding Errors	0	(0)	0	(1)
Restated Balance now reported	<u>19 739 540</u>	<u>3 389 998</u>	<u>16 939</u>	<u>4 016 421</u>

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

				2013 R	2012 R
	Impairment Losses	Repairs & Maintenance	Finance Costs	Contracted Services	Grants Paid
Balance previously reported	473 068	2 113 536	26 696	2 339 742	64 730
Impairment - Assets (Item 7431 000)	(41 648)				
Landfill Site Rehabilitation (Item 6692 000)		256 129			
Recording System (Item 6261 000)		3 252		(3 252)	
Service - Air Conditioners (Item 6262 000)		11 700			
Steiner Hygiene (Item 6267 000)		5 027		(5 027)	
Traffic Contravention System (Item 6280 000)		865		(865)	
Cellphone Contracts (Item 6205 000)				(100 178)	
Employment Agencies (Item 6259 000)				286 695	
Multichoice (Item 6312 000)				(1 503)	
Switchboard Autopage (Item 6265 000)				(141 172)	
Aids Awareness (Item 6490 000)					22 980
Arts and Culture (Item 6480 000)					17 992
Burial Support for Indigents (Item 7365 000)					15 500
Free Basic Electricity (Item 6751 000)					622 613
Free Basic Services (Item 6740 000)					10 576
Housing: Inhlazuka (Item 6646 001)					1 148 611
Housing: ST Bernard Mission (Item 6646 004)					37 250
Housing: Zwelethu (Item 6646 000)					37 522
Indigent Support (Item 6718 000)					6 022
Pauper Burials (Item 7360 000)					10 000
Sports and Recreation (Item 7215 000)					70 088
Youth Activities (Item 7336 000)					19 815
Rounding Errors	1	(0)	(0)	(0)	-
Restated Balance now reported	431 420	2 390 509	26 696	2 374 439	2 083 698
	General Expenses	Loss on PPE	Landfill Rehabilitation	Reversal of Impairment	Surplus for Year
Balance previously reported	11 511 884	9 200	256 130	(41 648)	9 246 860
Aids Awareness (Item 6490 000)	(22 980)				
Arts and Culture (Item 6480 000)	(17 992)				
Burial Support for Indigents (Item 7365 000)	(15 500)				
Cellphone Contracts (Item 6205 000)	100 178				
Employment Agencies (Item 6259 000)	(286 695)				
Free Basic Electricity (Item 6751 000)	(622 613)				
Free Basic Services (Item 6740 000)	(10 576)				
Housing: Inhlazuka (Item 6646 001)	(1 148 611)				
Housing: ST Bernard Mission (Item 6646 004)	(37 250)				
Housing: Zwelethu (Item 6646 000)	(37 522)				
Indigent Support (Item 6718 000)	(6 022)				
Insurance: WCA (Item 7330 000)	125 294				
Multichoice (Item 6312 000)	1 503				
Pauper Burials (Item 7360 000)	(10 000)				
Service - Air Conditioners (Item 6262 000)	(11 700)				
Sports and Recreation (Item 7215 000)	(70 088)				
Switchboard Autopage (Item 6265 000)	141 172				
Uniforms (Item 5130 000)	162 206				
Youth Activities (Item 7336 000)	(19 815)				
Landfill Site Rehabilitation (Item 6692 000)			(256 129)		
Impairment - Assets (Item 7431 000)				41 648	
Rounding Errors	2	0	(1)	(0)	(2)
Restated Balance now reported	9 724 877	9 200	0	(0)	9 246 858

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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40.4 Reclassification of Statement of Financial Position

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

The effect of the Correction of Error is as follows:

	2011/12 Balance	2011/12 Restated	Adjusted Amount
Current Assets			
Inventories	175 162	175 162	0
Non-current Assets Held-for-Sale	1 113 114	1 117 592	(4 478)
Receivables from Exchange Transactions	442 037	990 639	(548 602)
Receivables from Non-exchange Transactions	3 451 556	5 655 913	(2 204 357)
VAT Receivable	1 136 189	1 136 189	0
Cash and Cash Equivalents	37 721 545	37 721 545	(0)
Current Portion of Long-term Receivables	20 768	20 768	-
Non-Current Assets			
Property, Plant and Equipment	86 894 918	86 762 361	132 557
Intangible Assets	23 379	23 378	1
Investment Property	4 114 853	4 114 852	1
Heritage Assets	-	128 080	(128 080)
Non-current Investments	-	266	(266)
Long-term Receivables	4 704 379	1 951 156	2 753 223
Current Liabilities			
Provisions	-	(153 000)	153 000
Payables from Exchange Transactions	(5 719 181)	(4 120 965)	(1 598 216)
Payables from Non-exchange Transactions	-	(1 598 219)	1 598 219
Unspent Conditional Grants and Receipts	(21 765 192)	(21 765 192)	0
Operating Lease Liabilities	(222 087)	(222 087)	0
Current Portion of Long-term Liabilities	(140 362)	(158 786)	18 424
Non-Current Liabilities			
Long-term Liabilities	(171 133)	(152 710)	(18 423)
Retirement Benefit Liabilities	(5 297 000)	(5 164 000)	(133 000)
Non-current Provisions	(3 589 430)	(3 569 431)	(19 999)
Net Assets			
Accumulated Surplus / (Deficit)	(102 893 515)	(102 893 513)	(2)
	-	-	(0)

The Restated Amounts above are because of the following corrections made:

	Inventories	Assets Held-for-Sale	Receivables: Exchange	Receivables: Non-exchange
Balance previously reported	175 162	1 113 114	442 037	3 451 556
Depreciation recorded - not allowed		4 478		
Accrued Income (Vote 10 05 55 0560 000)			(51 353)	51 353
Miscellaneous Debtors (Vote 10 05 55 0520 000)			935 873	(935 873)
Rates Debtors (Vote 10 05 55 0510 000)			(335 918)	3 088 877
Rounding Errors	(0)	(0)	0	(1)
Restated Balance now reported	175 162	1 117 592	990 639	5 655 913

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

				2013 R	2012 R
		VAT Receivable	Cash & Equivalents	Property, Plant & Equipment	Intangible Assets
Balance previously reported		1 136 189	37 721 545	86 894 918	23 379
Depreciation recorded on Assets Held-for-Sale				(4 478)	
Heritage Assets (Vote 10 05 30 1735 000)				(128 080)	
Rounding Errors		(0)	0	1	(1)
Restated Balance now reported		1 136 189	37 721 545	86 762 361	23 378
		Investment Property	Heritage Assets	Non-current Investments	Long-term Receivables
Balance previously reported		4 114 853	-	-	4 704 379
Heritage Assets (Vote 10 05 30 1735 000)			128 080		
NCT Shares (Vote 10 05 35 0461 001)				266	(266)
Rates Debtors (Vote 10 05 55 0510 000)					(2 752 959)
Rounding Errors		(1)	0	-	2
Restated Balance now reported		4 114 852	128 080	266	1 951 156
	Provisions	Payables: Exchange	Payables: Non-exchange	Unspent Grants	Lease Liabilities
Balance previously reported	-	(5 719 181)	-	(21 765 192)	(222 087)
LSA - Current (Vote 10 05 60 0975 000)	(20 000)				
Health - Current (Vote 10 05 60 0970 000)	(133 000)				
Deposits - Appeal (Vote 10 05 25 0265 000)		7 700	(7 700)		
Deposits - Hall (Vote 10 05 25 0260 000)		6 494	(6 494)		
Deposits - Stalls (Vote 10 05 25 0280 000)		5 206	(5 206)		
In Advance - Debtors (Vote 10 05 65 0520 000)		2 010	(2 010)		
In Advance - Rates (Vote 10 05 65 0510 000)		136 931	(136 931)		
In Advance - Refuse (Vote 10 05 65 0580 000)		6 753	(6 753)		
Leave Payments (Vote 10 05 60 0960 000)		1 252 416	(1 252 416)		
UIF Deductions (Vote 10 05 65 1225 010)		105	(105)		
Unknown Deposits (Vote 10 05 65 1210 000)		180 602	(180 602)		
Union Fees (Vote 10 05 65 1225 004)		2	(2)		
Rounding Difference	-	(2)		(0)	(0)
Restated Balance now reported	(153 000)	(4 120 965)	(1 598 219)	(21 765 192)	(222 087)
	Current LT Liabilities	Long-term Liabilities	Retirement Liabilities	Non-current Provisions	Accumulated Surplus
Balance previously reported	(140 362)	(171 133)	(5 297 000)	(3 589 430)	(102 893 515)
Future Finance Charges	(18 424)	18 424			
Health - Current (Vote 10 05 60 0970 000)			133 000		
LSA - Current (Vote 10 05 60 0975 000)				20 000	
Rounding Difference	-	(1)	0	(1)	2
Restated Balance now reported	(158 786)	(152 710)	(5 164 000)	(3 569 431)	(102 893 513)

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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40.5 Reclassification of Statement of Financial Performance

Prior year amounts of items in the Statement of Financial Performance have been restated as indicated below:

Property Rates:

The prior year amounts for *Property Rates* and Payables have been restated to correctly disclose the revenue for Property Rates, previously raised in error.

Rental of Facilities and Equipment:

The prior year amounts for *Rental of Facilities and Equipment* and Payables have been restated to correctly disclose the revenue for rental for halls exempted, previously raised in error.

Furthermore, the prior year amounts for *Rental of Facilities & Equipment*, Contracted Services and General Expenses have been restated to correctly disclose the revenue for rental of the plantation, expenditure previously netted off against income.

Interest Earned - External Investments:

The prior year amounts for *Interest Earned on External Investments* and Accumulated Surplus have been restated to correctly disclose the revenue for Interest Earned on investments of the Housing Development Fund in terms GRAP 1.114, previously credited directly to Net Assets.

Employee Related Costs:

The prior year amounts for *Employee Related Costs* and Payables have been restated to correctly disclose the expenditure for medical aid contributions, previously deducted in error.

Furthermore, the prior year amounts for *Employee Related Costs* and Retirement Benefit Liabilities have been restated to correctly disclose the amount for the Provision for Health Care Benefits of the municipality in terms of the Actuarial Report as at 30 June 2012.

Contracted Services:

The prior year amounts for *Contracted Services* and Rental of Facilities & Equipment have been restated to correctly disclose the expenditure for the plantation, previously netted off against income.

General Expenses:

The prior year amounts for *General Expenses* and Rental of Facilities & Equipment have been restated to correctly disclose the expenditure for the plantation, previously netted off against income.

Furthermore, the prior year amounts for *General Expenses* and Payables have been restated to correctly disclose Fruitless Expenditure recovered, previously expensed.

The effect of the Correction of Error is as follows:

	Property Rates	Rental of Facilities	Interest: External Invest
Amount per AFS previously published for 2011/12	(6 115 439)	(1 349 177)	(1 610 290)
Reclassify Assessment Rates reversed	13 172		
Reclassify Rental exempted		2 500	
Reclassify Rental for Plantation		(1 649 356)	
Reclassify Interest Earned by Housing Development Fund			(10 228)
Restated Amount currently disclosed for 2011/12	<u>(6 102 267)</u>	<u>(2 996 033)</u>	<u>(1 620 518)</u>
	Employee Related Costs	Contracted Services	General Expenses
Amount per AFS previously published for	19 739 540	2 374 439	9 724 877
Reclassify Medical Aid Contributions refunded	(3 000)		
Reclassify transactions to Actuarial Report	(588 436)		
Reclassify Expenditure for Plantation		1 147 545	501 811
Reclassify Fruitless Expenditure recovered			(18 466)
Restated Amount currently disclosed for	<u>19 148 104</u>	<u>3 521 984</u>	<u>10 208 222</u>

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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40.6 Reclassification of Statement of Financial Position

Opening balances and prior year amounts of items in the Statement of Financial Position have been restated as indicated below:

Receivables from Non-exchange Transactions:

The prior year amounts for *Payables from Non-exchange Transactions* and Property Rates have been restated to correctly disclose the revenue for Property Rates, previously raised in error.

Furthermore, the prior year amounts for *Payables from Non-exchange Transactions* and Rental of Facilities & Equipment have been restated to correctly disclose the revenue for rental for halls exempted, previously raised in error.

Furthermore, the prior year amounts for *Payables from Non-exchange Transactions* and Employee Related Costs have been restated to correctly disclose the expenditure for medical aid contributions, previously deducted in error.

Furthermore, the prior year amounts for *Payables from Non-exchange Transactions* and General Expenses have been restated to correctly disclose Fruitless Expenditure recovered, previously expensed.

Non-current Assets Held-for-Sale:

The **prior year amounts** for *Non-current Assets Held-for-Sale* and Property, Plant & Equipment have been restated to correctly disclose the amount for assets of the municipality in respect of Accumulated Depreciation on assets recognised for sale not previously included in the transfer.

Property, Plant and Equipment:

The **prior year amounts** for *Property, Plant & Equipment* and Non-current Assets Held-for-Sale have been restated to correctly disclose the amount for assets of the municipality in respect of Accumulated Depreciation on assets recognised for sale not previously included in the transfer.

Retirement Benefit Liabilities:

The **opening balances** of *Retirement Benefit Liabilities* and Accumulated Surplus have been restated to correctly disclose the amount for the Provision for Health Care Benefits of the municipality in terms of the Actuarial Report as at 30 June 2012.

The **prior year amounts** for *Retirement Benefit Liabilities* and Employee Related Costs have been restated to correctly disclose the amount for the Provision for Health Care Benefits of the municipality in terms of the Actuarial Report as at 30 June 2012.

The effect of the Correction of Error is as follows:

	Receivables: Non-exchange	Assets Held-for-Sale	Property, Plant & Equipment	Retirement Benefits
Balances previously published per AFS as at 30 June 2011	2 864 163	1 018 872	75 695 219	(3 722 564)
Reclassify opening balance to Actuarial Report	-	-	-	(588 787)
Balances now published per AFS as at 30 June 2011	2 864 163	1 018 872	75 695 219	(4 311 351)
Transactions incurred for the Year 2011/12	2 791 749	98 720	11 067 142	(1 441 436)
Reclassify Assets Transferred		(4 478)	4 478	
Reclassify Assessment Rates reversed	(13 172)			
Reclassify Rental exempted	(2 500)			
Reclassify Medical Aid Contributions refunded	3 000			
Reclassify Fruitless Expenditure recovered	18 466			
Reclassify transactions to Actuarial Report				588 436
Balances now published per AFS as at 30 June 2012	5 661 707	1 113 114	86 766 839	(5 164 351)

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
41 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	14 255 706	9 851 316
Adjustment for:		
Depreciation and Amortisation	4 590 578	4 016 421
Impairment Losses on Property, Plant and Equipment	33 427	(41 648)
Losses / (Gains) on Disposal of Property, Plant and Equipment	151 596	9 200
Property, Plant and Equipment transferred to Assets Held-for-Sale	534 482	94 242
Contribution to Retirement Benefit Liabilities	1 808 215	986 000
Expenditure incurred from Retirement Benefit Liabilities	(132 545)	(127 000)
Contribution to Provisions - Non-current	386 308	405 130
Expenditure incurred from Provisions - Current	(20 000)	(30 000)
Contribution to Impairment Provision	3 883 549	473 068
Bad Debts Written-off	(65 294)	(5 133)
Operating surplus before working capital changes	25 426 022	15 631 597
Decrease/(Increase) in Inventories	148 863	(3 452)
Decrease/(Increase) in Non-Current Assets Held-for-Sale	(432 422)	(94 242)
Decrease/(Increase) in Receivables from Exchange Transactions	(197 330)	(577 297)
Decrease/(Increase) in Receivables from Non-exchange Transactions	1 601 385	(3 244 585)
Decrease/(Increase) in VAT Receivable	390 901	(79 495)
Decrease/(Increase) in Current Portion of Long-term Receivables	(1 832)	(3 217)
Increase/(Decrease) in Payables from Exchange Transactions	1 575 620	(1 496 649)
Increase/(Decrease) in Payables from Non-exchange Transactions	390 460	165 805
Increase/(Decrease) in Conditional Grants and Receipts	(1 805 387)	6 021 678
Increase/(Decrease) in Operating Lease Liabilities	37 388	38 012
Cash generated by / (utilised in) Operations	27 133 666	16 358 155

42 NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2012/13 financial year.

43 FINANCING FACILITIES

The municipality did not have any Financing Facilities available at any time during the two financial years.

44 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 20)	171 134	311 496
Used to finance Property, Plant and Equipment - at cost	(171 134)	(311 496)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities (See Notes 7 and 13)	-	-
Cash invested for Repayment of Long-term Liabilities	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

RICHMOND LOCAL MUNICIPALITY
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45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

45.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	2 430 241	-
Unauthorised Expenditure current year	5 376 316	2 430 241
Approved by Council or condoned	-	-
To be recovered – contingent asset (see Note 52)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Unauthorised Expenditure awaiting authorisation	<u>7 806 556</u>	<u>2 430 241</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted votes exceeded:-</i>	<i>To be condoned by Council</i>
- Finance and Administration - R2 837 360 (2012: R0)	
- Community and Social Services - R1 337 233 (2012: R0)	
- Housing - R66 000 (2012: R611 652)	
- Sport and Recreation - R1 135 723 (2012: R1 621 078)	
- Waste Management - R0 (2012: R197 511)	

45.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	-	-
Fruitless and Wasteful Expenditure current year	-	19 305
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 52)	-	(19 305)
Transfer to receivables for recovery (see Note 5)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u>-</u>	<u>-</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Penalty (Late Payment of Vehicle Licences) - R0 (2012: R19 305)</i>	<i>None</i>

45.3 Irregular Expenditure

To management's best of knowledge instances of note indicating that Irregular Expenditure was incurred during the year under review were not revealed.

46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

46.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	400 000	110 000
Amount Paid - current year	(400 000)	(110 000)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

46.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	719 430	532 817
Amount Paid - current year	(719 430)	(532 817)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

46.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
46.4 PAYE, Skills Development Levy and UIF		
Opening Balance	-	-
Current year Payroll Deductions	2 993 843	2 869 315
Amount Paid - current year	(2 993 843)	(2 869 315)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>
46.5 Pension and Medical Aid Deductions		
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	4 524 891	4 083 414
Amount Paid - current year	(4 524 891)	(4 083 414)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

46.6 Councillor's arrear Consumer Accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

46.7 Non-Compliance with the Municipal Finance Management Act

No known matters existed at reporting date.

46.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
<i>Council</i>	<i>Year 2012/13</i>	<i>Casablanca Sound</i>	<i>Urgency and short notice</i>	<i>7 500.00</i>
<i>Procurement of services for Christmas decorations</i>				
<i>Council</i>	<i>Year 2012/13</i>	<i>Pronel (5 occasions)</i>	<i>Provider was previously utilised; service extended</i>	<i>119 124.30</i>
<i>5 Occasions during the financial year procuring contracting services</i>				
<i>Budget and Treasury</i>	<i>Year 2012/13</i>	<i>Fujitsu</i>	<i>Sole supplier of Abakus Software</i>	<i>6 052.00</i>
<i>Procurement of services for software support</i>				
<i>Budget and Treasury</i>	<i>Year 2012/13</i>	<i>One Pangara</i>	<i>Urgency and short notice</i>	<i>12 000.78</i>
<i>Procurement of actuarial services</i>				
<i>Budget and Treasury</i>	<i>Year 2012/13</i>	<i>Softline VIP (2 occasions)</i>	<i>Sole supplier of VIP Payroll Software</i>	<i>9 720.00</i>
<i>2 Occasions during the financial year procuring services for software support for mid-year reconciliation and tax year-end</i>				
<i>Corporate Services</i>	<i>Year 2012/13</i>	<i>Ayanda Mbanga</i>	<i>Urgency and short notice</i>	<i>15 298.80</i>
<i>Procurement of advertising services</i>				
<i>Corporate Services</i>	<i>Year 2012/13</i>	<i>Emakozeni</i>	<i>Urgency and short notice</i>	<i>6 740.00</i>
<i>Procurement of services for accommodation</i>				
<i>Community Services</i>	<i>Year 2012/13</i>	<i>Gurders Bus Services</i>	<i>Urgency and short notice</i>	<i>14 000.00</i>
<i>Procurement of transport services from Hopewell to KwaNongoma</i>				

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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Department	Date	Successful Tenderer	Reason	Amount
Corporate Services	Year 2012/13	Southern Sun	Urgency and short notice	2 980.00
Procurement of services for accommodation				
Community Services	Year 2012/13	JS Zuma	Urgency and short notice	2 800.00
Procurement of transport services				
Local Economic Development Services	Year 2012/13	Village Hardware	Urgency and short notice	16 973.00
Procurement of services for the securing of stables				
Planning Services	Year 2012/13	Ataladu	Urgency and short notice	8 700.00
Procurement of catering services for Imbizo				
Planning Services	Year 2012/13	Beaulieu Lodge	Urgency and short notice	2 975.00
Procurement of catering services				
Planning Services	Year 2012/13	Ikonjane Logistic	Urgency and short notice	28 824.86
Procurement of catering services for Imbizo				
Planning Services	Year 2012/13	Izicode Elimhlophe (2 occasions)	Urgency and short notice	21 500.00
2 Occasions during the financial year procuring catering services for Imbizo				
Planning Services	Year 2012/13	Richmond Superspar (4 occasions)	Urgency and short notice	21 072.96
2 Occasions during the financial year procuring refreshments for Imbizo				
Planning Services	Year 2012/13	Savute	Urgency and short notice	4 960.00
Procurement of catering services for Imbizo				
Planning Services	Year 2012/13	Swelihle Construction	Urgency and short notice	14 000.00
Procurement of catering services for Imbizo				
Technical Services	Year 2012/13	Barloworld (2 occasions)	Sole supplier	11 475.92
2 Occasions during the financial year procuring parts for vehicles				
Technical Services	Year 2012/13	Bell (3 occasions)	Sole agent under warranty conditions	32 435.18
3 Occasions during the financial year procuring services and parts for vehicles under warranty				
Technical Services	Year 2012/13	DCB Auto Electrician (4 occasions)	Required strip & quote basis	18 602.56
7 Occasions during the financial year procuring services for wiring, starter repairs and electric system				
Technical Services	Year 2012/13	Datcentre PMB	Service under warranty to be done by agent only	5 318.50
Procurement of 60 000 km warranty service				
Technical Services	Year 2012/13	FSFM	Required strip & quote basis	4 866.28
Procurement of services for repairing a compressor				
Technical Services	Year 2012/13	Inkonka	Urgency and short notice	2 800.00
Procurement of services of hiring low-bed transporter				

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
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2012
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Department	Date	Successful Tenderer	Reason	Amount
Technical Services	Year 2012/13	Key PMB (10 occasions)	Sole agent under warranty conditions	56 712.96
10 Occasions during the financial year procuring services and parts for vehicles under warranty				
Technical Services	Year 2012/13	Komatsu (2 occasions)	Sole agent under warranty conditions	19 722.73
2 Occasions during the financial year procuring services and parts for vehicles under warranty				
Technical Services	Year 2012/13	PMB Forestry	Required strip & quote basis	1 955.00
Procurement of services for repairing cylinder, piston, gasket and gearbox				
Technical Services	Year 2012/13	Palmer Agriculture	Required strip & quote basis	4 295.00
Procurement of services for repairing Disc F40/150 Slasher				
Technical Services	Year 2012/13	Reapers Agriculture	Parts only obtainable from agent	3 687.00
Procurement of G75 gearbox for slasher				
Technical Services	Year 2012/13	Summit Hose	Required strip & quote basis	8 450.00
Procurement of parts for Bomag Hydraulic Motor				
Technical Services	Year 2012/13	Workwear Deport	Urgency and short notice	4 632.60
Procurement of uniforms				

2013
R

2012
R

47 COMMITMENTS FOR EXPENDITURE

47.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

Housing

Total Capital Commitments

This expenditure will be financed from:

Government Grants

8 885 688	16 056 873
7 356 999	14 881 362
1 528 689	1 175 511
8 885 688	16 056 873
8 885 688	16 056 873
8 885 688	16 056 873

47.2 Lease Commitments

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 19 and 20.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
48 FINANCIAL INSTRUMENTS			
48.1 Classification			
FINANCIAL ASSETS:			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
	<u>Financial Assets</u>	<u>Classification</u>	
Non-current Investments			
Investment in Unlisted Shares	Amortised cost	266	266
Long-term Receivables			
Housing	Amortised cost	-	1 918 788
uMgungundlovu District Municipality	Amortised cost	9 768	32 368
Receivables from Exchange Transactions			
Refuse	Amortised cost	82 472	54 766
Other Receivables	Amortised cost	1 141 742	935 873
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	1 740 634	3 088 877
Payments made in Advance	Amortised cost	2 364	2 147
Accruals	Amortised cost	66 848	51 353
Sundry Deposits	Amortised cost	9 300	9 300
Sundry Debtors	Amortised cost	292 695	2 480 694
Suspense Accounts	Amortised cost	10 247	29 335
Cash and Cash Equivalents			
Call Deposits	Fair value	42 591 628	36 700 683
Bank Balances	Fair value	835 704	1 017 662
Cash Floats and Advances	Fair value	3 200	3 200
Current Portion of Long-term Receivables			
uMgungundlovu District Municipality	Amortised cost	22 600	20 768
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Non-current Investments	Unlisted Shares	266	266
Long-term Receivables	Housing Loans	-	1 918 788
Long-term Receivables	uMgungundlovu District Municipality	9 768	32 368
Receivables from Exchange Transactions	Refuse	82 472	54 766
Receivables from Exchange Transactions	Other Debtors	1 141 742	935 873
Receivables from Non-exchange Transactions	Assessment Rates Debtors	1 740 634	3 088 877
Receivables from Non-exchange Transactions	Payments made in Advance	2 364	2 147
Receivables from Non-exchange Transactions	Accruals	66 848	51 353
Receivables from Non-exchange Transactions	Sundry Deposits	9 300	9 300
Receivables from Non-exchange Transactions	Sundry Debtors	292 695	2 480 694
Receivables from Non-exchange Transactions	Suspense Accounts	10 247	29 335
Current Portion of Long-term Receivables	uMgungundlovu District Municipality	22 600	20 768
		<u>3 378 935</u>	<u>8 624 536</u>
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Call Deposits	42 591 628	36 700 683
Cash and Cash Equivalents	Bank Balances	835 704	1 017 662
Cash and Cash Equivalents	Cash Floats and Advances	3 200	3 200
		<u>43 430 532</u>	<u>37 721 545</u>
Total Financial Assets		<u>46 809 467</u>	<u>46 346 082</u>

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R **2012**
R

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Amortised cost	9 768	32 368
Finance Lease Liabilities	Amortised cost	11 035	120 342
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	1 924 899	969 031
Retentions	Amortised cost	1 521 593	1 322 586
Other Creditors	Amortised cost	2 250 092	1 829 347
Payables from Non-exchange Transactions			
Staff Leave Accrued	Amortised cost	1 516 780	1 252 416
Sundry Deposits	Amortised cost	21 927	19 400
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	22 600	20 768
Finance Lease Liabilities	Amortised cost	127 731	138 018
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	9 768	32 368
Long-term Liabilities	Finance Lease Liabilities	11 035	120 342
Payables from Exchange Transactions	Trade Creditors	1 924 899	969 031
Payables from Exchange Transactions	Retentions	1 521 593	1 322 586
Payables from Exchange Transactions	Other Creditors	2 250 092	1 829 347
Payables from Non-exchange Transactions	Staff Leave Accrued	1 516 780	1 252 416
Payables from Non-exchange Transactions	Sundry Deposits	21 927	19 400
Current Portion of Long-term Liabilities	Annuity Loans	22 600	20 768
Current Portion of Long-term Liabilities	Finance Lease Liabilities	127 731	138 018
		7 406 425	5 704 277
Total Financial Liabilities		7 406 425	5 704 277

48.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013 **2012**
R **R**

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2013, as a result of the short-term maturity of these assets and liabilities.

The Financial Instruments of the municipality have been reclassified as disclosed in Note 39.6, Change in Accounting Policy.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2013

	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call Deposits	-	42 591 628	-	42 591 628
Bank Balances and Cash	-	838 904	-	838 904
Total Financial Assets	<u>-</u>	<u>43 430 532</u>	<u>-</u>	<u>43 430 532</u>
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Financial Instruments	<u>-</u>	<u>43 430 532</u>	<u>-</u>	<u>43 430 532</u>

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

				2013 R	2012 R
30 June 2012					
	Level 1 R	Level 2 R	Level 3 R	Total R	
FINANCIAL ASSETS					
Financial Instruments at Fair Value:					
Call Deposits	-	36 700 683	-	36 700 683	
Bank Balances and Cash	-	1 020 862	-	1 020 862	
Total Financial Assets	-	37 721 545	-	37 721 545	
FINANCIAL LIABILITIES					
Financial Instruments at Fair Value:					
Total Financial Liabilities	-	-	-	-	
Total Financial Instruments	-	37 721 545	-	37 721 545	

48.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 23 and the Statement of Changes in Net Assets.

Gearing Ratio

	2013 R	2012 R
The gearing ratio at the year-end was as follows:		
Debt	171 134	311 496
Cash and Cash Equivalents	(43 430 532)	(37 721 545)
Net Debt	(43 259 398)	(37 410 050)
Equity	117 154 663	102 898 956
Net debt to equity ratio	-36.93%	-36.36%

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

48.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

48.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 48.8 and 48.9 to the Annual Financial Statements.

48.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 48.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

48.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

48.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013	2012
R	R

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 48.9 below:

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2013 would have increased / decreased by R405 728 (30 June 2012: increased / decreased by R295 507). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

48.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates and waste services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling recovery for the non-payment of any of the individual debts, in terms of section 102 of the MSA;

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R **2012**
R

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties, except for Northern Province Academy of Sport and Department of Water and Forestry Affairs for which there is uncertainty about the collectivity. They have been included in the Provision for Impairment of Consumer Debtors.

Counterparty and Location	30 June 2013		30 June 2012	
	Credit Limit	Carrying Amount	Credit Limit	Carrying Amount
	R	R	R	R
J Hassum	-	100 481	-	55 792
RSA	-	207 091	-	84 975
Estate Late AS Suleman	-	227 685	-	216 438
Magnificent Four Properties	-	973 390	-	839 610
Sevontein Prison	-	520 645	-	1 960 311

2013
R **2012**
R

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Fixed Deposit Investments	266	266
Long-term Receivables	1 948 631	1 971 924
Consumer Debtors	1 436 811	1 239 480
Other Debtors	6 153 454	7 754 839
Bank, Cash and Cash Equivalents	43 430 532	37 721 545

Maximum Credit and Interest Risk Exposure

52 969 694 **48 688 054**

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

% **%**

Consumer Debtors:

- Household	28.27%	16.70%
- Industrial / Commercial	23.64%	18.06%
- National and Provincial Government	12.82%	25.21%
- Other Classes	21.22%	11.43%

Other Debtors:

- Other not Classified	14.04%	28.61%
------------------------	--------	--------

Total Credit Risk

100.00% **100.00%**

Bank and Cash Balances

First National Bank	21 549 188	30 331 288
Nedbank	21 878 144	7 387 058
Cash Equivalents	3 200	3 200

Total Bank and Cash Balances

43 430 532 **37 721 545**

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Long-term Receivables

Group 1	32 368	53 136
Group 2	-	1 918 788

Total Long-term Receivables

32 368	1 971 924
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Receivables from Exchange Transactions

Counterparties without external credit rating:-

Group 1	50 347	43 336
Group 2	27 325	21 558

77 672	64 894
---------------	---------------

Total Receivables from Exchange Transactions

77 672	64 894
---------------	---------------

Receivables from Non-exchange Transactions

Group 1	401 792	2 610 686
Group 2	-	-

401 792	2 610 686
----------------	------------------

Total Receivables from Non-exchange Transactions

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

48 FINANCIAL INSTRUMENTS (Continued)

48.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 43 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
30 June 2013	#	%	R	R	R	R		R
Non-interest Bearing		0.00%	3 382 135	3 349 500	-	32 368	-	266
Variable Interest Rate Instruments		4.18%	43 427 332	43 427 332	-	-	-	-
			46 809 467	46 776 832	-	32 368	-	266
30 June 2012								
Non-interest Bearing		0.00%	8 627 736	6 655 546	-	1 971 924	-	266
Variable Interest Rate Instruments		5.48%	37 718 345	37 718 345	-	-	-	-
			46 346 082	44 373 891	-	1 971 924	-	266

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

48.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013	2012
R	R

49 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible employees, who belong to different pension schemes.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R1 882 655 (2012: R1 501 738) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Retirement Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

The interim actuarial valuation performed as at 31 March 2012 revealed that the fund had a shortfall of R251,2 (31 March 2011: shortfall of R382,3) million, with a funding level of 90,6% (31 March 2011: 84,1%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (29,00%) was expected to eradicate the shortfall in the fund by 31 March 2015. However, the basic contribution payable is 4,72% less than the required contribution rate.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 17,50% of pensionable emoluments, of which 1,65% is payable by members and 15,85% is payable by the local authority.

This surcharge is payable until 31 March 2015. It is necessary that the basic employer contribution be increased by 4,72% to 18,37% and the surcharge be increased to 17,5% and extended by a further 3 years to 31 March 2018. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 34,22% with effect from 1 July 2012 for a period of 8 years.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund merge with the Superannuation Fund in the near future.

Superannuation Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

The interim actuarial valuation performed as at 31 March 2012 revealed that the fund had a shortfall of R270,0 (31 March 2011: shortfall of R549,5) million, with a funding level of 96,0% (31 March 2011: 90,9%). The contribution rate paid by the members (9,25%) and municipalities (18,00%) is 3,63% (31 March 2011: 3,63%) less than the required contribution rate for future service and will be reviewed at the next interim valuation. The deficit in respect of active members is being met by a surcharge of 9,5% (31 March 2011: 7,0%) of pensionable salaries. It was expected that the deficit will be fully funded by 2016.

This surcharge is payable until 31 March 2015. It is necessary that the basic employer contribution be increased by 4,72% to 18,37% and the surcharge be increased to 17,5% and extended by a further 3 years to 31 March 2018. This position will be monitored on an annual basis. Subsequently, notice has been served that the total rate of contribution from the employer will be increased to 31,13% (18,00% + 3,63% increase in basic rate + 9,50% surcharge) with effect from 1 July 2012 for a period of 8 years.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013 **2012**
R **R**

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund merge with the Retirement Fund in the near future.

DEFINED CONTRIBUTION SCHEMES

Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

The interim actuarial valuation performed as at 31 March 2012 revealed that the market value of the fund was R1 288,3 (31 March 2011: R1 056,2) million. The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 6,00%, 9,90% or 14,25% plus an additional 3,75% by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2012.

None of the above mentioned plans are State Plans.

50 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

50.1 Interest of Related Parties

No Related Party Interests have been identified/declared for the two financial years under review.

50.2 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the Year ended 30 June 2013				
Councillors	3 318	870	-	-
Municipal Manager and Section 57 Personnel	2 814	435	-	-
Total Services	6 132	1 305	-	-
For the Year ended 30 June 2012				
Councillors	3 293	821	-	-
Municipal Manager and Section 57 Personnel	2 705	410	-	-
Total Services	5 998	1 231	-	-

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

50.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 14 to the Annual Financial Statements.

50.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

50.5 Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

RICHMOND LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
51 CONTINGENT LIABILITIES		
51.1 Guarantees:	12 000	22 000
(i) First National Bank: Council provided letters of suretyship to First National Bank to assist staff members to obtain home loans. These sureties were provided prior to the introduction of the Municipal Finance Management Act. The sureties ensure that the municipality complies with section 164(2) of the Municipal Finance Act. These amounts have been secured against the staff members' pension/provident funds by means of written agreements which are lodged with the Kwa-Zulu Natal Joint Municipal Pension/Provident Fund. Copies are maintained on the staff members' personal files.	12 000	22 000
52 CONTINGENT ASSETS		
The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.		
52.1 Court Proceedings:	-	19 305
(i) Recovery of Fruitless and Wasteful Expenditure: It was resolved that Fruitless and Wasteful Expenditure incurred as disclosed in Note 45.3 should be recovered from the responsible employee. The amount was settled in July 2012.	-	19 305
53 IN-KIND DONATIONS AND ASSISTANCE		
The municipality received the following in-kind donations and assistance: (i) Ad Hoc financial support by Provincial Treasury for 2012/13.		
54 PRIVATE PUBLIC PARTNERSHIPS		
The municipality was not a party to any Private Public Partnerships during the year under review.		
55 EVENTS AFTER THE REPORTING DATE		
No events having financial implications requiring disclosure occurred subsequent to 30 June 2013.		
56 COMPARATIVE FIGURES		
The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 39) and Prior Period Errors (Note 40).		
57 GOING CONCERN ASSESSMENT		
Management considered the following matters relating to the Going Concern:		
(i) On 31 May 2013 the Council adopted the 2013/14 to 2015/16 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.		
(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.		
(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.		
(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.		

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A
RICHMOND LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2012	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2013
	R				R	R	R	R
ANNUITY LOANS								
DBSA	124 000	8.00%	12698/101	30/06/2014	18 817	-	9 039	9 778
DBSA	96 400	8.50%	12699/101	31/12/2014	18 781	-	7 046	11 734
DBSA	60 000	10.00%	12700/101	30/06/2015	15 538	-	4 682	10 856
Total Annuity Loans	280 400				53 136	-	20 768	32 368
CAPITAL LEASE LIABILITIES								
Gracan	88 020	9.00%		31/05/2014	58 300	-	29 540	28 760
Konica Minolta	96 344	9.00%		31/07/2014	72 881	-	31 066	41 815
Konica Minolta	36 011	9.00%		31/07/2014	27 241	-	11 612	15 630
Konica Minolta	41 798	9.00%		31/07/2014	31 619	-	13 477	18 141
Konica Minolta	40 144	9.00%		31/07/2014	30 368	-	12 944	17 424
Nashua	61 636	9.00%		31/03/2014	37 951	-	20 955	16 996
Total Capital Lease Liabilities	363 953				258 360	-	119 594	138 766
TOTAL EXTERNAL LOANS	644 353				311 496	-	140 362	171 134

APPENDIX A
RICHMOND LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

ANNUITY LOANS:

DBSA:

Structured unsecured 40 year loan for sanitation and water infrastructure. Original loan capital of R124 000 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

DBSA:

Structured unsecured 40 year loan for sanitation and water infrastructure. Original loan capital of R96 400 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

DBSA:

Structured unsecured 40 year loan for sanitation and water infrastructure. Original loan capital of R60 000 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

CAPITALISED LEASE LIABILITIES

Structured secured finance leases over office equipment; lease repayments over a period of 3 years at fixed interest rates.

APPENDIX B
RICHMOND LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2013
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Land	R	R	R	R	R	R	R	R	R	R	R	R	R
Land - Developed	1 580 638	-	-	-	-	1 580 638	-	-	-	-	-	1 580 638	-
Land - Undeveloped	6 565 947	-	-	-	-	6 565 947	-	-	-	-	-	6 565 947	450 000
	8 146 586	-	-	-	-	8 146 586	-	-	-	-	-	8 146 586	450 000
Buildings													
<i>Residential:</i>													
Mobile Homes	7 014	-	-	-	-	7 014	4 351	687	-	-	5 038	1 976	-
Residences	210 281	-	-	-	-	210 281	109 531	4 496	-	-	114 027	96 253	-
<i>Non Residential:</i>													
Carports	18 850	-	-	-	-	18 850	165	1 256	-	-	1 421	17 429	-
Office Buildings	7 672 912	-	-	23 708	(267 169)	7 429 450	1 199 310	247 073	-	(134 363)	1 312 020	6 117 431	265 000
Perimeter Protection	2 814 230	-	-	484 845	-	3 299 076	371 316	114 347	-	-	485 663	2 813 412	-
Workshops / Storerooms	902 701	-	-	-	-	902 701	142 020	27 141	-	-	169 161	733 540	-
	11 625 988	-	-	508 553	(267 169)	11 867 372	1 826 694	395 000	-	(134 363)	2 087 330	9 780 041	265 000
Infrastructure													
<i>Electricity:</i>													
Cables	4 880	-	-	-	-	4 880	109	108	-	-	217	4 663	-
High Mast Lights	734 114	-	-	2 855	-	736 968	640 377	31 210	-	-	671 587	65 381	-
<i>Roads and Transport:</i>													
Bridges, Subways and Culverts	738 618	-	-	715 923	-	1 454 541	95 579	9 251	-	-	104 830	1 349 711	-
Bridges - Expansion	587 592	-	-	-	-	587 592	10 859	29 360	-	-	40 219	547 374	-
Pedestrian Footpaths	936 313	-	-	2 564 837	-	3 501 150	190 191	45 392	-	-	235 583	3 265 567	1 980 247
Road Calming Measures	14 179	-	-	-	-	14 179	5 256	472	-	-	5 728	8 451	-
Roads: Asphalt - Basis	11 170 379	-	-	-	-	11 170 379	3 077 824	211 575	-	-	3 289 399	7 880 979	-
Roads: Asphalt - Surface	2 227 492	-	-	-	-	2 227 492	1 338 845	107 525	-	-	1 446 369	781 123	1 000 000
Roads: Concrete - Basis	3 900 098	-	-	-	-	3 900 098	142 549	77 949	-	-	220 498	3 679 600	-
Roads: Gravel - Surface	8 706 961	-	17 544 918	5 576 310	(15 057)	31 813 132	3 606 334	1 041 243	-	(13 608)	4 633 969	27 179 163	19 780 025
Roads: Paved - Surface	-	-	-	246 272	-	246 272	-	22	-	-	22	246 249	-
Roads: Crash Barriers	-	-	-	25 952	-	25 952	-	2	-	-	2	25 949	-
Roads: Kerbs and Channels	1 925 763	-	-	-	-	1 925 763	133 494	38 124	-	-	171 618	1 754 145	-
Stormwater Coastal Structure	1 069 127	-	-	-	-	1 069 127	43 321	26 710	-	-	70 031	999 096	-
Stormwater Culverts	-	-	-	104 427	-	104 427	-	7	-	-	7	104 420	-
Stormwater Culverts: Concrete	868 423	-	-	-	(9 954)	858 469	106 303	14 020	-	(7 514)	112 809	745 660	-
Stormwater Drains: Concrete	804 312	-	-	833 159	-	1 637 472	170 677	18 538	-	-	189 215	1 448 257	-
Stormwater Pipes	-	-	-	819 976	-	819 976	-	3 042	-	-	3 042	816 934	-
Street Lighting	116 602	-	-	32 627	-	149 229	10 043	9 080	-	-	19 123	130 106	-
Traffic Islands	19 014	-	-	-	-	19 014	3 911	380	-	-	4 291	14 722	-
Traffic Lights	552 510	-	-	-	-	552 510	7 433	27 607	-	-	35 040	517 470	-
Traffic Signs	1 742 716	-	-	36 312	-	1 779 029	216 297	117 608	-	-	333 905	1 445 124	-
<i>Sanitation:</i>													
Landfill Sites	2 328 454	-	-	-	-	2 328 454	931 382	465 151	-	-	1 396 533	931 921	-

APPENDIX B
RICHMOND LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2013
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<i>Water:</i>	R	R	R	R	R	R	R	R	R	R	R	R	R
Reservoirs and Tanks	80 032	-	-	-	-	80 032	18 459	1 600	-	-	20 058	59 974	-
	38 527 579	-	17 544 918	10 958 650	(25 011)	67 006 137	10 749 244	2 275 975	-	(21 122)	13 004 096	54 002 040	22 760 272
Community Assets													
<i>Recreational Facilities:</i>													
Museums and Art Galleries	25 370	-	-	-	-	25 370	7 683	845	-	-	8 528	16 842	-
<i>Sports Facilities:</i>													
Sport and Recreational Facilities	2 327 325	-	-	2 100 561	-	4 427 886	304 246	108 639	-	-	412 885	4 015 001	3 451 810
<i>Other Facilities:</i>													
Ablutions/Public Conveniences	391 164	-	-	-	-	391 164	112 077	11 069	-	-	123 146	268 018	-
Cemeteries	4 608	-	-	-	-	4 608	3 456	55	-	-	3 511	1 097	-
Community Centres	9 323 349	-	3 403 169	5 883 841	-	18 610 358	802 231	331 564	-	-	1 133 795	17 476 563	1 197 000
Fire Stations	37 367	-	-	-	-	37 367	16 298	1 245	-	-	17 542	19 825	-
Libraries	369 373	-	-	-	-	369 373	87 230	12 304	-	-	99 534	269 839	-
Public Parking	498 373	-	-	-	-	498 373	46 944	16 601	-	-	63 545	434 828	-
Taxi Ranks	267 169	-	-	-	(267 169)	-	252 264	4	-	(252 268)	-	-	1 000 000
	13 244 098	-	3 403 169	7 984 402	(267 169)	24 364 499	1 632 429	482 325	-	(252 268)	1 862 485	22 502 014	5 648 810
Leased Assets													
Office Equipment	363 953	-	-	-	-	363 953	123 539	121 234	-	-	244 773	119 180	-
	363 953	-	-	-	-	363 953	123 539	121 234	-	-	244 773	119 180	-
Other Assets													
<i>Bins and Containers:</i>													
Collection Containers / Bins	37 404	-	-	-	-	37 404	19 327	2 492	-	-	21 819	15 586	-
<i>Computer Equipment:</i>													
Computer Hardware	1 430 327	106 573	-	-	-	1 536 900	797 892	169 328	-	-	967 220	569 680	92 500
Computer Networks	35 614	-	-	-	-	35 614	4 707	3 455	-	-	8 162	27 452	-
<i>Emergency Equipment:</i>													
Emergency / Rescue Equipment	15 196	18 212	-	-	-	33 408	8 922	2 445	-	-	11 367	22 041	-
Medical and Allied Equipment	76 607	6 260	-	-	-	82 867	39 860	13 306	-	-	53 166	29 701	-

APPENDIX B
RICHMOND LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2013
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Furniture and Fittings:</i>													
Kitchen Appliances	36 178	12 276	-	-	-	48 455	15 929	4 594	-	-	20 524	27 931	-
Linen and Soft Furnishing	14 646	-	-	-	-	14 646	9 771	671	-	-	10 442	4 204	-
Other Furniture	1 145 664	40 899	-	-	-	1 186 563	625 430	112 237	-	-	737 667	448 896	-
<i>Motor Vehicles:</i>													
Cycles	95 613	-	-	-	(95 063)	550	38 594	9 053	-	(47 196)	450	100	-
Motor Cars	2 741 192	287 853	-	-	(39 999)	2 989 046	620 702	318 317	-	(33 501)	905 518	2 083 528	178 000
Trailers	177 213	26 395	-	-	(9 513)	194 095	40 631	14 075	-	(8 100)	46 607	147 488	32 000
Trucks and Bakkies	1 934 106	-	-	-	(398 860)	1 535 246	457 580	229 759	-	(139 177)	548 162	987 084	132 000
<i>Office Equipment:</i>													
Air Conditioners	358 539	24 167	-	-	-	382 706	262 247	28 410	-	-	290 657	92 049	16 700
Audiovisual Equipment	203 365	6 000	-	-	-	209 365	60 783	24 472	-	-	85 255	124 110	-
Other Office Equipment	363 094	13 943	-	-	-	377 036	147 600	46 140	-	-	193 740	183 296	176 300
<i>Plant and Equipment:</i>													
Electric Wire and Power Tools	23 235	-	-	-	-	23 235	11 753	2 386	-	-	14 139	9 097	-
Farm / Agricultural Equipment	224 121	-	-	-	(9 994)	214 127	41 461	15 268	-	(5 314)	51 416	162 711	6 500
Gardening Equipment	286 805	47 777	-	-	(6 250)	328 332	181 107	42 727	-	(5 968)	217 866	110 466	48 900
Metallurgy Equipment	4 147	-	-	-	-	4 147	2 634	411	-	-	3 046	1 102	-
Pumps and Plumbing Equipment	2 098	-	-	15 999	-	18 097	679	952	-	-	1 631	16 466	-
Radio Equipment	29 241	-	-	-	-	29 241	26 359	730	-	-	27 089	2 152	-
Security Equipment	9 578	-	-	-	-	9 578	8 775	267	-	-	9 042	536	-
Security Systems	470 444	11 150	-	-	-	481 594	388 615	24 586	-	-	413 201	68 394	12 200
Speed Control Devices	46 948	-	-	-	-	46 948	8 226	4 820	-	-	13 046	33 902	-
Survey Equipment	1 141	-	-	-	-	1 141	334	156	-	-	490	651	-
Telecommunication Equipment	15 032	-	-	-	-	15 032	1 673	3 004	-	-	4 677	10 355	-
Tents, Flags and Accessories	16 490	-	-	-	-	16 490	12 929	1 186	-	-	14 115	2 375	-
Woodworking Machinery/Equipment	1 263	-	-	-	-	1 263	645	99	-	-	744	518	-
Workshop Equipment	58 890	21 516	-	-	-	80 406	42 580	7 611	-	-	50 192	30 214	25 500
Workshop Tools	11 282	-	-	-	-	11 282	1 036	3 162	-	-	4 198	7 083	-
<i>Specialised Vehicles:</i>													
Refuse Collection Vehicles	773 879	-	-	-	(285 330)	488 549	236 658	61 784	-	(175 118)	123 324	365 225	-
Road Construction Machinery	2 344 611	1 198 250	-	-	(42 921)	3 499 940	707 559	191 972	-	(41 134)	858 398	2 641 542	1 386 500
	12 983 964	1 821 270	-	15 999	(887 930)	13 933 303	4 822 999	1 339 877	-	(455 508)	5 707 369	8 225 934	2 107 100
Total	84 892 167	1 821 270	20 948 086	19 467 604	(1 447 279)	125 681 848	19 154 905	4 614 411	-	(863 261)	22 906 054	102 775 794	31 231 182
						0.00					0.00	0.00	

APPENDIX B
RICHMOND LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2013
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R

RICHMOND LOCAL MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2013
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Investment Properties Afforestation	R	R	R	R	R	R	R	R	R	R	R	R	R
	4 114 852	-	-	-	-	4 114 852	-	-	-	-	-	4 114 852	-
	4 114 852	-	-	-	-	4 114 852	-	-	-	-	-	4 114 852	-
						0.00							

RICHMOND LOCAL MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2013
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Intangible Assets Computer Software	R	R	R	R	R	R	R	R	R	R	R	R	R
	87 482	-	-	-	-	87 482	64 104	9 595	-	-	73 699	13 783	-
	87 482	-	-	-	-	87 482	64 104	9 595	-	-	73 699	13 783	-
						0.00							

RICHMOND LOCAL MUNICIPALITY
ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 40725
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Heritage Assets Culturally Significant Buildings Municipal Jewellery	R	R	R	R	R	R	R	R	R	R	R	R	R
	57 880	-	-	-	-	57 880	-	-	-	-	-	57 880	-
	70 200	-	-	-	-	70 200	-	-	-	-	-	70 200	-
	128 080	-	-	-	-	128 080	-	-	-	-	-	128 080	-
						0.00							
Total Asset Register	89 222 582	1 821 270	20 948 086	19 467 604	(1 447 279)	130 012 263	19 219 008	4 624 006	-	(863 261)	22 979 753	107 032 510	31 231 182

APPENDIX C
RICHMOND LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	610 919	41 881	-	-	-	652 800	325 649	76 461	-	-	402 110	250 690
Finance and Administration	2 265 985	68 508	-	-	-	2 334 492	727 399	283 894	-	-	1 011 293	1 323 199
Planning and Development	13 651 626	1 361 370	-	-	(1 060 036)	13 952 960	3 105 824	949 851	-	(660 579)	3 395 096	10 557 864
Health	-	-	-	-	-	-	-	-	-	-	-	-
Community and Social Services	33 390 606	146 471	3 403 169	8 965 136	(267 169)	45 638 212	3 597 222	875 563	-	(134 363)	4 338 422	41 299 790
Housing	99 693	-	-	-	-	99 693	23 543	3 321	-	-	26 864	72 829
Public Safety	1 253 772	203 041	-	-	(95 063)	1 361 750	667 760	160 382	-	(47 196)	780 946	580 804
Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	2 365 858	-	-	-	-	2 365 858	950 708	467 643	-	-	1 418 352	947 507
Roads and Transport	35 503 589	-	17 544 918	10 502 469	(25 011)	63 525 965	9 801 981	1 805 277	-	(21 122)	11 586 136	51 939 829
Water	80 532	-	-	-	-	80 532	18 922	1 612	-	-	20 534	59 998
Electricity	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total	89 222 582	1 821 270	20 948 086	19 467 604	(1 447 279)	130 012 263	19 219 008	4 624 006	-	(863 261)	22 979 753	107 032 510

APPENDIX D
RICHMOND LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

2012 Actual Income	2012 Budgeted Income	2012 Actual Expenditure	2012 Budgeted Expenditure	2012 Surplus/ (Deficit)	Description	2013 Actual Income	2013 Budgeted Income	2013 Actual Expenditure	2013 Budgeted Expenditure	2013 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
986 000	986 000	5 475 903	5 532 884	(4 489 903)	Executive and Council	1 744 000	1 744 000	6 413 670	6 889 090	(4 669 670)
35 802 902	34 777 656	12 813 487	13 112 368	22 989 415	Finance and Administration	41 080 227	39 072 654	15 253 923	12 416 563	25 826 304
11 651 981	24 289 076	4 311 332	8 676 270	7 340 649	Planning and Development	19 868 260	33 593 235	5 149 236	8 854 062	14 719 024
1 493 628	1 756 223	6 999 444	7 585 604	(5 505 816)	Community and Social Services	1 635 179	1 828 010	9 274 900	7 937 667	(7 639 721)
1 223 383	611 731	1 223 383	611 731	-	Housing	5 019 212	4 953 212	5 019 212	4 953 212	-
453 403	537 380	3 563 937	3 564 946	(3 110 534)	Public Safety	586 120	507 941	4 080 057	4 231 675	(3 493 938)
2 485 542	486 000	3 110 513	1 489 435	(624 970)	Sport and Recreation	398 225	408 000	3 380 919	2 245 196	(2 982 694)
570 157	564 010	2 242 239	2 044 728	(1 672 082)	Waste Management	372 587	373 540	2 332 244	2 366 571	(1 959 657)
427 511	390 590	5 502 954	6 514 935	(5 075 442)	Roads and Transport	447 363	401 925	5 991 305	7 112 545	(5 543 942)
55 094 507	64 398 666	45 243 192	49 132 901	9 851 316	Total	71 151 172	82 882 516	56 895 466	57 006 580	14 255 706

APPENDIX E(1)
RICHMOND LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13											2011/12			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
REVENUE - STANDARD	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Governance and Administration:															
Executive and Council	1 744 000	-	1 744 000	-	-	1 744 000	1 744 000	-	-	100.00	100.00				986 000
Budget and Treasury Office	40 143 623	(1 143 513)	39 000 110	-	-	39 000 110	41 010 001	-	2 009 891	105.15	102.16				35 495 105
Corporate Services	48 000	24 544	72 544	-	-	72 544	70 226	-	(2 318)	96.81	146.31				307 797
Community and Public Safety:															
Community and Social Services	1 789 614	38 396	1 828 010	-	-	1 828 010	1 635 179	-	(192 832)	89.45	91.37				1 493 628
Sport and Recreation	408 000	-	408 000	-	-	408 000	398 225	-	(9 775)	97.60	97.60				2 485 542
Public Safety	710 585	(202 644)	507 941	-	-	507 941	586 120	-	78 179	115.39	82.48				453 403
Housing	-	4 953 212	4 953 212	-	-	4 953 212	5 019 212	-	66 000	101.33	0.00				1 223 383
Economic and Environmental Services:															
Planning and Development	16 593 000	17 000 235	33 593 235	-	-	33 593 235	19 868 260	-	(13 724 975)	59.14	119.74				11 651 981
Road Transport	376 927	24 998	401 925	-	-	401 925	447 363	-	45 438	111.31	118.69				427 511
Trading Services:															
Waste Management	365 540	8 000	373 540	-	-	373 540	372 587	-	(953)	99.74	101.93				570 157
Total Revenue - Standard	62 179 289	20 703 227	82 882 516	-	-	82 882 516	71 151 172	-	(11 731 344)	85.85	114.43	-	-	-	55 094 507
EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and Council	6 434 000	455 090	6 889 090	-	-	6 889 090	6 413 670	-	(475 420)	93.10	99.68				5 475 903
Budget and Treasury Office	6 634 274	1 008 794	7 643 067	-	-	7 643 067	10 584 246	-	2 941 179	138.48	159.54				8 457 275
Corporate Services	4 851 000	(77 504)	4 773 496	-	-	4 773 496	4 669 677	-	(103 819)	97.83	96.26				4 356 212
Community and Public Safety:															
Community and Social Services	7 806 004	131 663	7 937 667	-	-	7 937 667	9 274 900	-	1 337 233	116.85	118.82				6 999 444
Sport and Recreation	1 520 000	725 196	2 245 196	-	-	2 245 196	3 380 919	-	1 135 723	150.58	222.43				3 110 513
Public Safety	4 237 000	(5 325)	4 231 675	-	-	4 231 675	4 080 057	-	(151 617)	96.42	96.30				3 563 937
Housing	-	4 953 212	4 953 212	-	-	4 953 212	5 019 212	-	66 000	101.33	0.00				1 223 383
Economic and Environmental Services:															
Planning and Development	5 089 002	3 765 060	8 854 062	-	-	8 854 062	5 149 236	-	(3 704 826)	58.16	101.18				4 311 332
Road Transport	7 064 002	48 543	7 112 545	-	-	7 112 545	5 991 305	-	(1 121 240)	84.24	84.81				5 502 954
Trading Services:															
Waste Management	2 168 004	198 567	2 366 571	-	-	2 366 571	2 332 244	-	(34 327)	98.55	107.58				2 242 239
Total Expenditure - Standard	45 803 286	11 203 295	57 006 580	-	-	57 006 580	56 895 466	-	(111 115)	99.81	124.22	-	-	-	45 243 192
Surplus/(Deficit) for the year	16 376 004	9 499 932	25 875 936	-	-	25 875 936	14 255 706	-	(11 620 229)	55.09	87.05	-	-	-	9 851 316

APPENDIX E(2)
RICHMOND LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13											2011/12			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
REVENUE BY VOTE	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Vote 1 - Executive and Council	1 744 000	-	1 744 000	-	-	1 744 000	1 744 000	-	-	100.00	100.00				986 000
Vote 2 - Finance and Administration	40 191 623	(1 118 969)	39 072 654	-	-	39 072 654	41 080 227	-	2 007 573	105.14	102.21				35 802 902
Vote 3 - Planning and Development	16 593 000	17 000 235	33 593 235	-	-	33 593 235	19 868 260	-	(13 724 975)	59.14	119.74				11 651 981
Vote 4 - Community and Social Services	1 789 614	4 991 608	6 781 222	-	-	6 781 222	6 654 391	-	(126 832)	98.13	371.83				2 717 011
Vote 6 - Public Safety	710 585	(202 644)	507 941	-	-	507 941	586 120	-	78 179	115.39	82.48				453 403
Vote 7 - Sport and Recreation	408 000	-	408 000	-	-	408 000	398 225	-	(9 775)	97.60	97.60				2 485 542
Vote 8 - Waste Management	365 540	8 000	373 540	-	-	373 540	372 587	-	(953)	99.74	101.93				570 157
Vote 9 - Roads	376 927	24 998	401 925	-	-	401 925	447 363	-	45 438	111.31	118.69				427 511
Total Revenue by Vote	62 179 289	20 703 227	82 882 516	-	-	82 882 516	71 151 172	-	(11 731 344)	85.85	114.43	-	-	-	55 094 507
EXPENDITURE BY VOTE															
Vote 1 - Executive and Council	6 434 000	455 090	6 889 090	-	-	6 889 090	6 413 670	-	(475 420)	93.10	99.68				5 475 903
Vote 2 - Finance and Administration	11 485 274	931 290	12 416 563	-	-	12 416 563	15 253 923	-	2 837 360	122.85	132.81				12 813 487
Vote 3 - Planning and Development	5 089 002	3 765 060	8 854 062	-	-	8 854 062	5 149 236	-	(3 704 826)	58.16	101.18				4 311 332
Vote 4 - Community and Social Services	7 806 004	5 084 875	12 890 879	-	-	12 890 879	14 294 112	-	1 403 233	110.89	183.12				8 222 827
Vote 6 - Public Safety	4 237 000	(5 325)	4 231 675	-	-	4 231 675	4 080 057	-	(151 617)	96.42	96.30				3 563 937
Vote 7 - Sport and Recreation	1 520 000	725 196	2 245 196	-	-	2 245 196	3 380 919	-	1 135 723	150.58	222.43				3 110 513
Vote 8 - Waste Management	2 168 004	198 567	2 366 571	-	-	2 366 571	2 332 244	-	(34 327)	98.55	107.58				2 242 239
Vote 9 - Roads	7 064 002	48 543	7 112 545	-	-	7 112 545	5 991 305	-	(1 121 240)	84.24	84.81				5 502 954
Total Expenditure by Vote	45 803 286	11 203 295	57 006 580	-	-	57 006 580	56 895 466	-	(111 115)	99.81	124.22	-	-	-	45 243 192
Surplus/(Deficit) for the year	16 376 004	9 499 932	25 875 936	-	-	25 875 936	14 255 706	-	(11 620 229)	55.09	87.05	-	-	-	9 851 316

APPENDIX E(3)
RICHMOND LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13											2011/12			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Revenue by Source															
Property Rates	7 200 000	-	7 200 000	-	-	7 200 000	8 548 051	-	1 348 051	118.72	118.72	-	-	-	6 102 267
Property Rates - Penalties & Collection Charges	340 000	60 000	400 000	-	-	400 000	806 897	-	406 897	201.72	237.32	-	-	-	793 032
Service Charges - Refuse	309 390	-	309 390	-	-	309 390	299 603	-	(9 787)	96.84	96.84	-	-	-	283 028
Service Charges - Other	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Rental of Facilities and Equipment	1 115 114	45 000	1 160 114	-	-	1 160 114	1 033 491	-	(126 624)	89.09	92.68	-	-	-	2 996 033
Interest Earned - External Investments	1 500 000	-	1 500 000	-	-	1 500 000	1 695 342	-	195 342	113.02	113.02	-	-	-	1 620 518
Interest Earned - Outstanding Debtors	76 450	28 000	104 450	-	-	104 450	146 399	-	41 949	140.16	191.50	-	-	-	98 028
Fines	202 500	(200 000)	2 500	-	-	2 500	116 366	-	113 866	4 654.66	57.46	-	-	-	2 659
Licences and Permits	508 985	(74 400)	434 585	-	-	434 585	401 224	-	(33 361)	92.32	78.83	-	-	-	422 835
Agency Services	385 425	25 000	410 425	-	-	410 425	458 106	-	47 681	111.62	118.86	-	-	-	517 926
Transfers Recognised - Operational	48 540 000	22 359 112	70 899 112	-	-	70 899 112	37 977 384	-	(32 921 727)	53.57	78.24	-	-	-	34 490 720
Other Revenue	348 940	113 000	461 940	-	-	461 940	493 234	-	31 294	106.77	141.35	-	-	-	626 502
Gains on Disposal of PPE	1 652 485	(1 652 485)	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Total Revenue (excluding Capital Transfers & Contributions)	62 179 289	20 703 227	82 882 516	-	-	82 882 516	51 976 097	-	(30 906 419)	62.71	83.59	-	-	-	47 953 548
Expenditure															
Employee Related Costs	22 209 123	558 431	22 767 554	-	-	22 767 554	23 792 479	1 024 925	1 024 925	104.50	107.13	-	-	-	19 148 104
Remuneration of Councillors	3 645 200	-	3 645 200	-	-	3 645 200	3 477 164	-	(168 036)	95.39	95.39	-	-	-	3 389 998
Debt Impairment	-	-	-	-	-	-	3 883 549	3 883 549	3 883 549	0.00	0.00	-	-	-	-
Depreciation and Asset Impairment	4 850 390	-	4 850 390	-	-	4 850 390	4 624 006	-	(226 384)	95.33	95.33	-	-	-	4 447 842
Finance Charges	-	19 376	19 376	-	-	19 376	18 425	-	(952)	95.09	0.00	-	-	-	26 696
Other Materials	2 966 820	(416 959)	2 549 861	-	-	2 549 861	1 768 100	-	(781 761)	69.34	59.60	-	-	-	2 390 509
Contracted Services	2 406 706	(48 833)	2 357 873	-	-	2 357 873	2 933 271	575 398	575 398	124.40	121.88	-	-	-	3 521 984
Transfers and Grants	677 470	4 804 012	5 481 482	-	-	5 481 482	5 186 910	-	(294 572)	94.63	765.63	-	-	-	2 083 698
Other Expenditure	9 047 577	6 287 268	15 334 845	-	-	15 334 845	11 059 968	-	(4 274 877)	72.12	122.24	-	-	-	10 225 161
Loss on Disposal of PPE	-	-	-	-	-	-	151 596	151 596	151 596	0.00	0.00	-	-	-	9 200
Total Expenditure	45 803 286	11 203 295	57 006 580	-	-	57 006 580	56 895 466	5 635 467	(111 115)	99.81	124.22	-	-	-	45 243 192
Surplus/(Deficit)	16 376 004	9 499 932	25 875 936	-	-	25 875 936	(4 919 368)	(5 635 467)	(30 795 304)	0.00	0.00	-	-	-	2 710 356
Transfers Recognised - Capital	-	-	-	-	-	-	19 175 075	19 175 075	19 175 075	0.00	0.00	-	-	-	7 140 960
Surplus/(Deficit) for the Year	16 376 004	9 499 932	25 875 936	-	-	25 875 936	14 255 706	13 539 607	(11 620 229)	55.09	87.05	-	-	-	9 851 316

APPENDIX E(4)
RICHMOND LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13											2011/12			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
CAPITAL EXPENDITURE - VOTE	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Multi-year Expenditure															
Total Capital Expenditure - Multi-year	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Single-year Expenditure															
Vote 1 - Executive and Council	4 000	40 000	44 000	-	12 950	56 950	49 459	-	(7 491)	86.85	1 236.47	-	-	-	388 418
Vote 2 - Finance and Administration	51 000	719 000	770 000	-	(14 000)	756 000	190 564	-	(565 436)	25.21	373.66	-	-	-	528 222
Vote 3 - Planning and Development	1 920 000	(1 762 000)	158 000	-	400 750	558 750	117 680	-	(441 070)	21.06	6.13	-	-	-	680 236
Vote 4 - Community and Social Services	331 000	9 000	340 000	-	(500)	339 500	265 096	-	(74 404)	78.08	80.09	-	-	-	774 098
Vote 6 - Public Safety	207 000	991 000	1 198 000	-	23 000	1 221 000	858 375	-	(362 625)	70.30	414.67	-	-	-	226 724
Vote 7 - Sport and Recreation	61 000	1 582 000	1 643 000	-	1 852 210	3 495 210	2 113 774	-	(1 381 436)	60.48	3 465.20	-	-	-	2 058 337
Vote 9 - Roads	17 817 000	9 261 182	27 078 182	-	(2 274 410)	24 803 772	17 612 437	-	(7 191 336)	71.01	98.85	-	-	-	10 808 380
Total Capital Expenditure - Single-year	20 391 000	10 840 182	31 231 182	-	-	31 231 182	21 207 384	-	(10 023 799)	67.90	104.00	-	-	-	15 464 417
Total Capital Expenditure - Vote	20 391 000	10 840 182	31 231 182	-	-	31 231 182	21 207 384	-	(10 023 799)	67.90	104.00	-	-	-	15 464 417
CAPITAL EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and Council	4 000	40 000	44 000	-	12 950	56 950	49 459	-	(7 491)	86.85	1 236.47	-	-	-	388 418
Budget and Treasury Office	-	20 000	20 000	-	750	20 750	20 356	-	(394)	98.10	0.00	-	-	-	51 094
Corporate Services	51 000	699 000	750 000	-	(14 750)	735 250	170 208	-	(565 042)	23.15	333.74	-	-	-	477 129
Community and Public Safety:															
Community & Social Services	331 000	9 000	340 000	-	(500)	339 500	265 096	-	(74 404)	78.08	80.09	-	-	-	774 098
Sport and Recreation	61 000	1 582 000	1 643 000	-	1 852 210	3 495 210	2 113 774	-	(1 381 436)	60.48	3 465.20	-	-	-	2 058 337
Public Safety	207 000	991 000	1 198 000	-	23 000	1 221 000	858 375	-	(362 625)	70.30	414.67	-	-	-	226 724
Economic and Environmental Services:															
Planning and Development	1 920 000	(1 762 000)	158 000	-	400 750	558 750	117 680	-	(441 070)	21.06	6.13	-	-	-	680 236
Road Transport	17 817 000	9 261 182	27 078 182	-	(2 274 410)	24 803 772	17 612 437	-	(7 191 336)	71.01	98.85	-	-	-	10 808 380
Total Capital Expenditure - Standard	20 391 000	10 840 182	31 231 182	-	-	31 231 182	21 207 384	-	(10 023 799)	67.90	104.00	-	-	-	15 464 417
FUNDED BY:															
National Government	16 376 000	(210 000)	16 166 000	-	-	16 166 000	8 809 001	-	(7 356 999)	54.49	53.79	-	-	-	12 317 980
Other Transfers and Grants	-	3 850 000	3 850 000	-	-	3 850 000	1 470 971	-	(2 379 029)	38.21	0.00	-	-	-	-
Transfers Recognised - Capital	16 376 000	3 640 000	20 016 000	-	-	20 016 000	10 279 972	-	(9 736 028)	51.36	62.77	-	-	-	12 317 980
Internally Generated Funds	4 015 000	7 200 182	11 215 182	-	-	11 215 182	10 927 412	-	(287 771)	97.43	272.16	-	-	-	3 146 437
Total Capital Funding	20 391 000	10 840 182	31 231 182	-	-	31 231 182	21 207 384	-	(10 023 799)	67.90	104.00	-	-	-	15 464 417

APPENDIX E(5)
RICHMOND LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13								2011/12
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and Other	9 276 000	-	9 276 000	9 276 000	10 487 552	1 211 552	113.06	113.06	19 984 288
Government - Operating	48 540 000	2 005 000	50 545 000	50 545 000	58 957 846				35 610 002
Government - Capital		-				-	0.00	0.00	
Interest	1 350 000	-	1 350 000	1 350 000	1 695 342	345 342	125.58	125.58	1 620 518
Payments									
Suppliers and Employees	(37 544 000)	-	(37 544 000)	(37 485 000)	(43 988 649)	(6 503 649)	0.00	0.00	(40 829 957)
Finance Charges	(6 500)	-	(6 500)	(6 500)	(18 425)	(11 925)	0.00	0.00	(26 696)
Transfers and Grants		-				-	0.00	0.00	
NET CASH FROM / (USED) OPERATING ACTIVITIES	21 615 500	2 005 000	23 620 500	23 679 500	27 133 666	(4 958 680)	114.59	125.53	16 358 155
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on Disposal of PPE	1 652 000	(1 652 000)	-	-	(102 059)	(102 059)	0.00	0.00	325 000
Decrease / (Increase) in Non-current Debtors	-	-	-	-	25 125	25 125	0.00	0.00	19 763
Payments									
Capital Assets	(20 391 000)	(10 840 000)	(31 231 000)	(31 231 000)	(21 207 384)	10 023 616	0.00	0.00	(15 464 417)
NET CASH FROM / (USED) INVESTING ACTIVITIES	(18 739 000)	(12 492 000)	(31 231 000)	(31 231 000)	(21 284 318)	9 946 682	0.00	0.00	(15 119 653)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
New Loans raised	-	-	-	-	-	-	0.00	0.00	214 297
Payments									
Loans repaid	-	-	-	-	(140 362)	(140 362)	0.00	0.00	(117 424)
NET CASH FROM / (USED) FINANCING ACTIVITIES	-	-	-	-	(140 362)	(140 362)	0.00	0.00	96 873
NET INCREASE / (DECREASE) IN CASH HELD	(2 876 500)	10 487 000	7 610 500	7 551 500	(5 708 987)	(13 260 487)	0.00	0.00	(1 335 375)
Cash / Cash Equivalents at the Year begin:	37 721 545	-	37 721 545	37 721 545	37 721 545	0	100.00	100.00	36 386 170
Cash / Cash Equivalents at the Year end:	40 598 045	(10 487 000)	30 111 045	30 170 045	43 430 532	13 260 487	143.95	106.98	37 721 545

APPENDIX F
RICHMOND LOCAL MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld					Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	June	Sept	Dec	March	June		Yes / No	
Equitable Share	Nat Treasury	12 194 000	9 657 780	7 317 000	0	12 194 000	9 657 780	7 317 000	0	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
FMG	Nat Treasury	1 500 000	0	0	0	395 762	499 468	236 940	367 829	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MIG Projects	MIG	4 105 000	6 135 000	6 136 000	0	0	4 039 195	2 540 656	2 439 150	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSIG	DPLG	800 000	0	0	0	43 500	186 034	160 284	410 183	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		18 599 000	15 792 780	13 453 000	0	12 633 262	14 382 477	10 254 879	3 217 162	0	0	0	0	0			
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?																	

APPENDIX G
RICHMOND LOCAL MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2013

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post- employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Mayor Ragavaloo A.	-	429 203	-	147 741	59 800	-	-	-	-	-	-	636 744
Deputy Mayor Ngcobo P.C.	-	205 737	-	80 099	-	-	-	-	-	-	-	285 836
Speaker Shabalala S.T.	-	197 225	-	80 099	8 512	-	-	-	-	-	-	285 836
Executive Committee Kunene T.D.	-	190 260	-	76 093	2 617	-	-	-	-	-	-	268 970
Other Councillors Jili J.	-	123 310	-	59 703	16 965	-	-	-	-	-	-	199 978
Madonda T.C.	-	118 739	-	59 703	21 536	-	-	-	-	-	-	199 978
Magubane K.E.	-	123 310	-	59 703	16 965	-	-	-	-	-	-	199 978
Maphumulo M.	-	135 024	-	59 703	5 250	-	-	-	-	-	-	199 978
Mdlalose S.A.	-	123 556	-	59 703	16 719	-	-	-	-	-	-	199 978
Mngadi B.M.	-	136 019	-	59 703	4 256	-	-	-	-	-	-	199 978
Moonsamay P.	-	140 275	-	59 703	-	-	-	-	-	-	-	199 978
Ngcongo B.	-	136 019	-	59 703	4 256	-	-	-	-	-	-	199 978
Ngubo M.D.B.	-	138 502	-	59 703	1 773	-	-	-	-	-	-	199 978
Shange R.B.	-	123 310	-	59 703	16 965	-	-	-	-	-	-	199 978
Total for Councillors	-	2 320 488	-	981 062	175 613	-	-	-	-	-	-	3 477 163
Municipal Manager Sithole E.S.	-	495 217	-	351 534	28 899	-	-	-	-	-	-	875 650
Chief Financial Officer Hloba M.	-	337 500	-	190 702	34 298	-	-	-	-	-	-	562 500
Manager: Community Services Mhlongo B.M.	-	191 669	-	391 991	87 826	-	-	-	-	-	-	671 486
Manager: Corporate Services Mthmebu S.L.	-	202 108	-	416 153	53 227	-	-	-	-	-	-	671 487
Manager: Technical Services Sithole M.J. (Acting)	-	20 000	-	69 955	8 085	-	-	-	-	-	-	98 039
Total for Senior Managers	-	751 277	-	1 068 800	183 436	-	-	-	-	-	-	2 003 513
Total for Management	-	3 071 765	-	2 049 862	359 049	-	-	-	-	-	-	5 480 676

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post- employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Mayor Ragavaloo A.	-	395 080	-	158 505	53 641	-	-	-	-	-	-	607 226
Deputy Mayor Ngcobo P.C.	-	205 131	-	75 851	-	-	-	-	-	-	-	280 982
Speaker Shabalala S.T.	-	198 038	-	75 851	7 093	-	-	-	-	-	-	280 982
Executive Committee Kunene T.D.	-	188 840	-	71 845	3 471	-	-	-	-	-	-	264 156
Other Councillors Jili J.	-	127 139	-	55 455	12 724	-	-	-	-	-	-	195 318
Madonda T.C.	-	126 967	-	55 455	12 896	-	-	-	-	-	-	195 317
Magubane K.E.	-	128 552	-	55 455	11 310	-	-	-	-	-	-	195 318
Maphumulo M.	-	139 863	-	55 455	-	-	-	-	-	-	-	195 318
Mdlalose S.A.	-	134 290	-	55 455	5 573	-	-	-	-	-	-	195 318
Mngadi B.M.	-	135 607	-	55 455	4 256	-	-	-	-	-	-	195 317
Moonsamay P.	-	139 863	-	55 455	-	-	-	-	-	-	-	195 318
Ngcongo B.	-	135 607	-	55 455	4 256	-	-	-	-	-	-	195 317
Ngubo M.D.B.	-	139 863	-	55 455	-	-	-	-	-	-	-	195 318
Shange R.B.	-	128 552	-	55 455	11 310	-	-	-	-	-	-	195 318
Total for Councillors	-	2 323 389	-	936 602	126 528	-	-	-	-	-	-	3 386 520
Municipal Manager Sithole E.S.	-	631 472	-	138 000	26 772	-	-	-	-	-	-	796 244
Chief Financial Officer Donnelly W.C. / Osman H. (Acting)	-	283 700	-	18 000	44 274	-	-	-	-	-	-	345 974
Manager: Community Services Mhlongo B.M.	-	502 000	-	60 000	74 480	-	-	-	-	-	-	636 480
Manager: Corporate Services Mthmebu S.L.	-	525 746	-	60 000	50 734	-	-	-	-	-	-	636 480
Manager: Technical Services Gumdede K.P.	-	518 379	-	30 000	88 101	-	-	-	-	-	-	636 480
Total for Senior Managers	-	1 829 825	-	168 000	257 589	-	-	-	-	-	-	2 255 414
Total for Management	-	4 153 214	-	1 104 602	384 117	-	-	-	-	-	-	5 641 934